

TAB 193

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PENNSYLVANIA

THE OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS OF  
ALLEGHENY HEALTH, EDUCATION  
& RESEARCH FOUNDATION,

Plaintiff,

vs.

Civil Action

PRICewaterhouseCOOPERS,  
LLP,

No. 00-684

Defendant.

Videotaped Deposition of AMY

FRAZIER, called for examination under the  
Applicable Rules of Federal Civil Procedure,  
taken before me, Michele E. Eddy, a Registered  
Professional Reporter and Notary Public in and  
for the State of Ohio, pursuant to notice and  
stipulations of counsel, at the offices of  
Jones Day, 222 East 41st Street, Suite 400, New  
York, New York, on Tuesday, the 8th day of  
June, 2004, at 9:00 a.m.

- - - RENNILLO REPORTING SERVICES  
A LEGALINK AFFILIATE



Amy Frazier

<p style="text-align: right;">Page 145</p> <p>1 or make your deposition longer, but I think the  2 answer to my question is you don't recall  3 having a SUD with you and asking anyone at  4 AHERF or being in a conversation where someone  5 at C&amp;L asked someone at AHERF to make a change 14:05:08  6 to their financial statements based on the SUD,  7 is that right?  8 A I do recall of one situation which  9 was a report that was actually never issued in  10 which there -- I had -- I don't know if it was 14:05:47  11 actually the SUD document, but it was a summary  12 of adjustments that clearly indicated something  13 had to be resolved before we could issue the  14 financial statements  15 Q Let me come back to that. 14:05:59  16 Is the answer to my question -- my  17 earlier question, though, that you don't recall  18 having a SUD with you or being in a meeting  19 where a SUD was being discussed in which  20 someone from C&amp;L asked someone at AHERF to make 14:06:10  21 a change?  22 MR RYAN: Objection.  23 A I mean, I think -- I'm actually  24 saying I have a situation that I recall I  25 don't -- it didn't necessarily have to have the 14:06:20</p>	<p style="text-align: right;">Page 147</p> <p>1 Q Hold on for a second and humor me  2 about what is and what isn't relevant for a  3 moment.  4 I've seen lots of documents that  5 were called summary of unadjusted differences  6 for various fiscal years that look and smell a  7 lot like Exhibit 1339 in format.  8 We're going to come to what you  9 want to talk about. Now tell me, do you recall  10 sitting in a room or having a conversation 14:07:43  11 where this kind of a SUD, Exhibit 1339 or a  12 look alike, was being discussed and asking  13 someone at AHERF or hearing someone from C&amp;L  14 ask someone at AHERF to make any change on the  15 SUD? 14:07:56  16 A Yes.  17 MR RYAN: Objection.  18 Q So there was an exhibit that looked  19 just like 1339 in the room, a document?  20 MR RYAN: Objection. 14:08:03  21 A Your original question stated a  22 look-alike, and to me, you know, my  23 understanding of a look-alike was this summary  24 which included adjustments that were being  25 proposed as part of the audit process in 14:08:15</p>
<p style="text-align: right;">Page 146</p> <p>1 title SUD across the top. It represented an  2 accumulative list of adjustments in which we  3 said you need to make an adjustment before we  4 can issue the report.  5 Q I understand that I'm happy to 14:06:32  6 speak about that with you. I promise I'm going  7 to do it next.  8 But I would like to have an answer  9 to my question, which is, do you recall being  10 in a meeting or having a discussion in which 14:06:41  11 you were talking about the SUD specifically for  12 any fiscal year in which you or somebody at C&amp;L  13 said, ladies and gentlemen at AHERF, please  14 make these changes or any of these changes?  15 A Yes. 14:06:55  16 Q With a SUD?  17 A Again, my definition of a SUD is an  18 accumulation of a list of entries that need to  19 be considered in evaluating the overall  20 financial statements. And whether that's on an 14:07:07  21 Excel schedule that actually had the schedule  22 of summary of unadjusted differences was really  23 irrelevant. It was the total being used to  24 draw conclusions on whether or not we could  25 issue the financial statements 14:07:21</p>	<p style="text-align: right;">Page 148</p> <p>1 relation to whether or not we can issue the  2 financial statements. It was the adjustments  3 that we as an engagement team had come together  4 and said these are the ones that we need to  5 resolve and aggregate and evaluate as part of 14:08:29  6 issuing the financial statements.  7 Q But that's the only time you can  8 think of an example for this question as an  9 answer to this question, is that right?  10 A That I currently recall, yes. 14:08:38  11 Q Thank you.  12 When did that occur?  13 A 1998.  14 Q I had a premonition. Tell me, what  15 was the issue or the set of adjustments that 14:08:49  16 you were discussing with someone at AHERF?  17 A It related to Rancocas Hospital and  18 the accounting for good will and  19 intercompanies. There was a series of items  20 that built up to the overall issue that needed 14:09:09  21 to be resolved.  22 Q It was during the final or  23 preliminary audit work for fiscal year 1998?  24 MR RYAN: Objection  25 MR JONES: I'm asking. 14:09:20</p>

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<p style="text-align: right;">Page 149</p> <p>1 Q Do you know when it was?</p> <p>2 A It was in the spring of 1998;</p> <p>3 however, that particular audit had a fiscal</p> <p>4 year-end, I believe, of December 31st as</p> <p>5 opposed to June 30th, 1997 14:09:36</p> <p>6 Q The audit related to which</p> <p>7 enterprise?</p> <p>8 A I believe Rancocas.</p> <p>9 Q It had a calendar year-end?</p> <p>10 A Correct. 14:09:50</p> <p>11 Q That was the New Jersey affiliate</p> <p>12 of the Graduate Hospital group?</p> <p>13 A Yes</p> <p>14 Q That is then the lone example of a</p> <p>15 discussion with AHERF personnel in which you 14:10:08</p> <p>16 were a party regarding making changes on a</p> <p>17 summary of unadjusted differences?</p> <p>18 MR. RYAN: Objection Earlier we</p> <p>19 drew a distinction between having a summary</p> <p>20 there while the discussion took place and 14:10:21</p> <p>21 talking about individual items without having a</p> <p>22 document there, which I thought was a critical</p> <p>23 distinction in the early testimony. So that</p> <p>24 didn't make its way into your question, so I</p> <p>25 object 14:10:35</p>	<p style="text-align: right;">Page 151</p> <p>1 intercompany accounts?</p> <p>2 A The discussion was around how we</p> <p>3 would -- in an effort to finalize the report</p> <p>4 which had reporting deadlines, we had some</p> <p>5 accounting discussion about possible approaches 14:12:06</p> <p>6 that Mr. Cancelmi would recommend to address</p> <p>7 the issue, but I simply communicated my</p> <p>8 discussion that I had with Mr. Buettner</p> <p>9 beforehand, which was until it's resolved, you</p> <p>10 will not get your report. 14:12:22</p> <p>11 Q Do you recall anything more about</p> <p>12 the underlying accounting issues as we sit here</p> <p>13 today?</p> <p>14 A It related to whether or not the</p> <p>15 good will was realizable in the future, whether 14:12:33</p> <p>16 or not it should be written down, and whether</p> <p>17 or not the impact of a 50 million dollar</p> <p>18 transfer of reserves in 1997 and that that</p> <p>19 adjustment should be reversed and undone based</p> <p>20 on a stand-alone report for the Rancocas 14:12:57</p> <p>21 entity.</p> <p>22 Q Some portion of the 50 million</p> <p>23 dollars or all of it?</p> <p>24 A A portion of it</p> <p>25 Q Is this the 50 million dollar set 14:13:08</p>
<p style="text-align: right;">Page 150</p> <p>1 MR. JONES: Thank you. I'm not</p> <p>2 sure it was critical.</p> <p>3 Q But my question is still, can you</p> <p>4 think of another example where you were</p> <p>5 discussing a SUD, a piece of paper that was the 14:10:41</p> <p>6 final SUD, as you understood it, and were</p> <p>7 asking someone at AHERF to make changes in the</p> <p>8 financial statements other than this Rancocas</p> <p>9 fiscal year 1998 example?</p> <p>10 MR. RYAN: Objection. 14:10:57</p> <p>11 Q Was it a fiscal year 1998 example</p> <p>12 or fiscal year 1997 example at Rancocas?</p> <p>13 A It was the fiscal year 1997, which</p> <p>14 was the calendar year 1997 for that entity.</p> <p>15 Q Other than that example, can you 14:11:10</p> <p>16 think of another one?</p> <p>17 A Not that I recall as I sit here</p> <p>18 today.</p> <p>19 Q Who was involved in that meeting?</p> <p>20 A Myself and Dan Cancelmi. 14:11:35</p> <p>21 Q Anyone else?</p> <p>22 A No.</p> <p>23 Q Do you recall anything more about</p> <p>24 the conversation other than it involved</p> <p>25 accounting for good will and certain 14:11:44</p>	<p style="text-align: right;">Page 152</p> <p>1 of reserve established in connection with the</p> <p>2 purchase of the Graduate hospitals by AHERF and</p> <p>3 later transferred to certain hospitals in what</p> <p>4 was then known as the Delaware Valley Obligated</p> <p>5 Group at AHERF? 14:13:25</p> <p>6 A Yes.</p> <p>7 Q Do you recall anything more about</p> <p>8 the conversation with Mr. Cancelmi?</p> <p>9 A He had proposed a method of</p> <p>10 accounting for it would be to write it off to 14:13:44</p> <p>11 net asset -- net assets. And I told him that</p> <p>12 that was not my understanding of how you could</p> <p>13 account for it and I would discuss it further</p> <p>14 with Bill, but that that would not be, in my</p> <p>15 judgment, an appropriate resolution 14:14:01</p> <p>16 Q Did you have an appropriate</p> <p>17 resolution at the time that you shared with</p> <p>18 him?</p> <p>19 A Yes.</p> <p>20 Q What was it? 14:14:07</p> <p>21 A Reverse the 50 million dollar</p> <p>22 entry.</p> <p>23 Q With respect to Rancocas, it</p> <p>24 wouldn't have been 50 million dollars, am I</p> <p>25 right? 14:14:16</p>

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<p style="text-align: right;">Page 153</p> <p>1 A. My point was to reverse it on all 2 of the entities. 3 Q. Were you discussing all of the 4 other entities at the time, or was this 5 conversation strictly related to Rancocas, the 14:14:31 6 one that you're recalling now? 7 A. As I recall, it was strictly 8 related to Rancocas and their desire to issue 9 that report. 10 Q. You thought this took place in the 14:14:43 11 spring of '98, calendar year? 12 A. Spring being very late spring 13 because I was on maternity leave again. 14 Q. When were you on maternity leave in 15 '98? 14:14:59 16 A. March. My son was born March 1st 17 of 1998, so basically six to eight weeks 18 following that. 19 Q. So you're telling me it was 20 after -- 14:15:12 21 A. After. 22 Q. -- you returned from maternity 23 leave -- 24 A. Correct. 25 Q. -- that this conversation took 14:15:16</p>	<p style="text-align: right;">Page 155</p> <p>1 Q. I'm going to ask you to look down 2 the first page and notice as you do at certain 3 of the various hospitals, there is a row 4 relating to PP&amp;E reserve and amounts in the 5 column headed June 30, 1995 that tie to several 14:17:01 6 of the amounts on the AHERF PP&amp;E score sheet 7 marked as Exhibit 4380. When you've had a 8 chance to do that, would you tell me? 9 In particular I'll direct your 10 attention to the S -- the St. Chris's category 14:17:30 11 of accounts and the PP&amp;E reserve row there, 12 which is an amount of 1 133 million. Do you 13 see that? 14 A. Yes. 15 Q. That appears also on Exhibit 4380, 14:17:40 16 is that right, next to St. Chris? 17 A. It appears on a rounded basis, yes. 18 Q. Then again if you look later down 19 towards the bottom of the page to the Bucks 20 County amount for PP&amp;E reserve, do you see 14:17:55 21 that? 22 A. Yes. 23 Q. That's 6-30-95, on Exhibit 1689, 24 the AHERF analysis of reserves, the amount is 25 1.493 million, and that ties -- is that right? 14:18:06</p>
<p style="text-align: right;">Page 154</p> <p>1 place? 2 A. Yes. 3 Q. Let me ask you to turn to another 4 exhibit. This one is going to be previously 5 marked as Exhibit 1689. I'm going to ask you 14:15:36 6 to look at for me at the two-page document and 7 tell me if you've ever seen it before today. 8 A. Yes. 9 Q. When was the first time that you 10 saw this document? 14:15:58 11 A. Last week. 12 Q. You never saw it in connection with 13 your audit work at AHERF, is that right? 14 A. No. 15 Q. I think we have a double negative 14:16:14 16 and it's all my fault. So let me try it again. 17 Did you ever see it at any time 18 during your audit work at AHERF? 19 A. No. 20 Q. Did you ever see a document 14:16:23 21 similarly headed, that is, AHERF analysis of 22 reserves after proposed adjustments or AHERF 23 cushion analysis typed by AHERF personnel 24 during your audit work at AHERF? 25 A. No. 14:16:41</p>	<p style="text-align: right;">Page 156</p> <p>1 A. It appears as rounding 2 Q. It ties rounded, at least close 3 numbers, to the same amount on the schedule 4 previously marked as 4380, the score sheet, is 5 that right? 14:18:27 6 A. Yes. 7 Q. Do you know whether anyone at 8 Coopers &amp; Lybrand had this analysis of 9 reserves, that is Exhibit 1689, in his or her 10 hand when the AHERF PP&amp;E score sheet marked as 14:18:45 11 4380 was prepared? 12 A. No, I don't know. 13 Q. Did you ever learn that Coopers &amp; 14 Lybrand auditors had been given reserve 15 analyses or what was sometimes I think referred 14:19:04 16 to as cushion analyses that looked like Exhibit 17 1689 during their audit work in connection with 18 AHERF? 19 A. I'm sorry, can you repeat that? 20 Q. Did you ever learn that anybody 14:19:17 21 else on the C&amp;L -- on any C&amp;L engagement team 22 ever received cushion or reserve analyses that 23 looked in format like Exhibit 1689? 24 A. Not that I'm aware 25 Q. Did you ever learn during your 14:19:35</p>

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Continued Videotaped Deposition of  
AMY FRAZIER, called for examination under the  
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for the State of Ohio, pursuant to notice and  
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Jones Day, 222 East 41st Street, Suite 400, New  
York, New York, on Wednesday, the 9th day of  
June, 2004, at 9:00 a.m.

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VOLUME II

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RENNILLO REPORTING SERVICES  
A LEGALINK AFFILIATE

RENNILLO REPORTING SERVICES  
A LEGALINK AFFILIATE COMPANY





<p style="text-align: right;">Page 385</p> <p>1 of the Lockhart trusts, as we've now defined</p> <p>2 the term, in connection with your '96 audit</p> <p>3 work?</p> <p>4 A. I don't recall.</p> <p>5 Q. Do you recall ever learning from 13:31:46</p> <p>6 Mr. Panucci or his colleague Patty that they</p> <p>7 had reviewed the language of the Lockhart Trust</p> <p>8 as we've now defined them themselves?</p> <p>9 A. I recall a discussion with Mark</p> <p>10 Panucci about AHERF endowments, not necessarily 13:32:09</p> <p>11 using the term Lockhart trusts as we've now</p> <p>12 defined them.</p> <p>13 Q. What do you recall about that</p> <p>14 conversation?</p> <p>15 A. It was initially a conversation 13:32:22</p> <p>16 where he shared a view of AHERF management on</p> <p>17 how to record the AHERF endowments and which</p> <p>18 then followed with the conversation with Jack</p> <p>19 Lyden to actually discuss what they were</p> <p>20 proposing 13:32:46</p> <p>21 Q. We'll come back to that view</p> <p>22 sharing. But my question is, do you ever</p> <p>23 recall learning from Mr. Panucci that he had</p> <p>24 reviewed each of the five Lockhart trusts in</p> <p>25 connection with his '96 audit work? 13:32:57</p>	<p style="text-align: right;">Page 387</p> <p>1 ask him, you can tell me that.</p> <p>2 MR. RYAN: You're asking what the</p> <p>3 word means or where in the schedule the numbers</p> <p>4 can be found? I'm confused.</p> <p>5 MR. JONES: If that's a part of her 13:34:20</p> <p>6 answer, that's fine. I asked her what the word</p> <p>7 principal means to her.</p> <p>8 MR. RYAN: Okay.</p> <p>9 A. You're referring to tick mark A?</p> <p>10 Q. Yes, I am. 13:34:28</p> <p>11 A. I don't know obviously precisely</p> <p>12 what he meant when he wrote it, but I have a</p> <p>13 general understanding of that term in the</p> <p>14 context of endowments.</p> <p>15 Q. What do you think it means in your 13:34:43</p> <p>16 read of it now since you don't recall the</p> <p>17 document from '96?</p> <p>18 A. The original corpus or -- the</p> <p>19 original balance that was contributed by the</p> <p>20 donor. 13:34:56</p> <p>21 Q. So the amounts, perhaps, under the</p> <p>22 column contribution on the far right-hand</p> <p>23 margin of page one -- or page two of the</p> <p>24 exhibit?</p> <p>25 A. Yes. 13:35:12</p>
<p style="text-align: right;">Page 386</p> <p>1 A. I don't know if it was each of the</p> <p>2 five trust documents, recognizing that he was</p> <p>3 performing testing on their controls. But he</p> <p>4 had documents or certain information available</p> <p>5 during that discussion that he and I have had. 13:33:16</p> <p>6 I just don't know which ones or all or whether</p> <p>7 it was a representative part of the population</p> <p>8 Q. I'm sorry, I interrupted you.</p> <p>9 A. Whether it represented the</p> <p>10 population that he was reviewing. 13:33:29</p> <p>11 Q. Do you believe that he should have</p> <p>12 reviewed each of the five Lockhart trusts as</p> <p>13 we've defined them, in connection with his '96</p> <p>14 audit work?</p> <p>15 MR. RYAN: Objection. 13:33:39</p> <p>16 A. No, given that he was performing a</p> <p>17 test of controls of a process that AHERF</p> <p>18 management had implemented.</p> <p>19 Q. Do you know what he means in his</p> <p>20 note about principal when he says reviewed the 13:33:52</p> <p>21 -- "C&amp;I. reviewed the endowment agreements and</p> <p>22 noted the principal was permanently</p> <p>23 restricted."</p> <p>24 Do you know what principal is in</p> <p>25 this schedule? And if it's something I need to 13:34:06</p>	<p style="text-align: right;">Page 388</p> <p>1 Q. The black binders that you referred</p> <p>2 to for the western region, would you include</p> <p>3 within the western region AHERF the parent</p> <p>4 company in your understanding of western</p> <p>5 region? 13:35:24</p> <p>6 A. Yes.</p> <p>7 Q. Do you recall ever learning from</p> <p>8 whom or from what source Mr. Panucci or</p> <p>9 Patty -- I've lost her last name --</p> <p>10 A. Francioni. 13:35:35</p> <p>11 Q. -- Francioni received the black</p> <p>12 binders?</p> <p>13 A. I don't remember who they had</p> <p>14 gotten them from in the past. I just don't</p> <p>15 recall. 13:35:53</p> <p>16 Q. Do you know what -- do you have any</p> <p>17 recall from '96 about what Mr. Panucci meant</p> <p>18 with the term income in tick mark A? This is</p> <p>19 recall from your work in '96.</p> <p>20 A. I don't have a recollection based 13:36:15</p> <p>21 on this schedule and what he wrote here.</p> <p>22 Q. Reading the schedule today, do you</p> <p>23 have an interpretation of what the word income</p> <p>24 means?</p> <p>25 A. Without referring to the actual 13:36:46</p>

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Amy Frazier

Volume 2

<p style="text-align: right;">Page 389</p> <p>1 agreements or some other information at the</p> <p>2 time, I'm not sure what -- it could mean</p> <p>3 several components.</p> <p>4 Q. The next tick mark B reads, "C&amp;L</p> <p>5 reviewed the endowments." 13:37:13</p> <p>6 It says again that C&amp;L reviewed the</p> <p>7 endowments, right?</p> <p>8 A. Yes.</p> <p>9 Q. And noted -- then it continues.</p> <p>10 And noted there were general income 13:37:23</p> <p>11 restrictions on the items. "Management took</p> <p>12 the current income as unrestricted since the</p> <p>13 amount would have been expensed in the current</p> <p>14 year and any income from the prior years was</p> <p>15 kept as temporary restricted." 13:37:42</p> <p>16 Have I read the first sentence or</p> <p>17 so accurately?</p> <p>18 A. Yes</p> <p>19 Q. Do you know what income means in</p> <p>20 this tick mark? 13:37:52</p> <p>21 A. Today or --</p> <p>22 Q. Yes. First, do you have any</p> <p>23 recollection from '96?</p> <p>24 A. I do not have a recollection from</p> <p>25 '96. 13:38:05</p>	<p style="text-align: right;">Page 391</p> <p>1 that's necessarily the right -- the right term,</p> <p>2 but the -- you know, just broadly speaking,</p> <p>3 that they believed that these had some</p> <p>4 potential to be used for operations, but</p> <p>5 because it was not clear in the agreement that 13:40:01</p> <p>6 they should be conservative in how they treated</p> <p>7 them.</p> <p>8 Q. Again, you didn't review the</p> <p>9 agreements yourself to determine whether you</p> <p>10 thought it was clear or not, is that right? 13:40:10</p> <p>11 A. I don't recall if I had the actual</p> <p>12 agreements in my hand. I recall this</p> <p>13 discussion with Jack Lyden and even a follow-up</p> <p>14 discussion, actually, with Al Adamczak to talk</p> <p>15 about the language that was in the AHERF 13:40:29</p> <p>16 agreements as I knew them.</p> <p>17 Q. Do you recall any of the language</p> <p>18 to which you refer now?</p> <p>19 A. Just that income was not clear and</p> <p>20 that the general purposes of the organization 13:40:49</p> <p>21 was part of that terminology.</p> <p>22 Q. When you say income was not clear,</p> <p>23 or restrictions on income was not clear, or the</p> <p>24 interpretations related to income was not</p> <p>25 clear, what do you mean by income? 13:41:05</p>
<p style="text-align: right;">Page 390</p> <p>1 Q. Do you have an interpretation of it</p> <p>2 today?</p> <p>3 A. Not without the facts and</p> <p>4 circumstances that existed at that time. I</p> <p>5 would need that information. 13:38:17</p> <p>6 Q. The next sentence reads -- the next</p> <p>7 sentence from tick mark B, "The reason</p> <p>8 management was being conservative and could not</p> <p>9 take the approach, the entire amount has been</p> <p>10 expensed. C&amp;L agrees with this treatment." 13:38:32</p> <p>11 Do you see that?</p> <p>12 A. Yes</p> <p>13 Q. Do you recall C&amp;L agreeing with the</p> <p>14 treatment so described in 1996?</p> <p>15 A. Generally speaking, yes. 13:38:49</p> <p>16 Q. What do you recall about that?</p> <p>17 A. I recall that the interpretation of</p> <p>18 the agreements were not clear as to whether or</p> <p>19 not the income was available for operations.</p> <p>20 It could be perceived that it would be and 13:39:16</p> <p>21 that, as a result, they felt that it was more</p> <p>22 conservative to classify items as temporarily</p> <p>23 restricted than to interpret the agreement as</p> <p>24 being fully unrestricted.</p> <p>25 The word expensed, I'm not sure if 13:39:41</p>	<p style="text-align: right;">Page 392</p> <p>1 A. The availability of unrestricted --</p> <p>2 I'm sorry, unrealized, realized gains and</p> <p>3 interest income, dividends and earnings.</p> <p>4 Essentially the cumulative earnings was how --</p> <p>5 was the context of the discussion that it was 13:41:28</p> <p>6 everything in that pile.</p> <p>7 Q. So you are defining income in your</p> <p>8 term to include anything that wasn't the</p> <p>9 original contribution?</p> <p>10 A. In this particular situation. 13:41:39</p> <p>11 Obviously there are others that it could have</p> <p>12 been defined differently where it specifically</p> <p>13 excluded something, but in this circumstance my</p> <p>14 understanding of what was in question was</p> <p>15 the -- 13:41:52</p> <p>16 Q. In this circumstance is the five</p> <p>17 Lockhart trusts is what I'm referring to.</p> <p>18 A. Well, the trusts -- the majority of</p> <p>19 the trusts on AHERF because I wasn't -- I was</p> <p>20 not aware of them as the Lockhart trusts 13:42:02</p> <p>21 Q. So there could have been others?</p> <p>22 A. It was those at AHERF, so to the</p> <p>23 extent that this represented an entirety of</p> <p>24 AHERF.</p> <p>25 Q. I see. The point you're making is 13:42:14</p>

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<p style="text-align: right;">Page 393</p> <p>1 those that were held at the books of AHERF, the 2 parent? 3 A. Correct 4 Q. Whether or not it was justified 5 Lockhart trusts? 13:42:24 6 A. That's correct. 7 Q. If there were others, your 8 understanding of the term income applied to 9 those others as well, others besides the five 10 Lockhart trusts held on the accounts at AHERF, 13:42:32 11 the parent? 12 I withdraw the question. I think 13 we understand each other. 14 In any event, your definition of 15 income was everything but the original 13:42:50 16 contribution? 17 A. In the context of our discussions 18 on this, yes. 19 Q. You understood the point person at 20 AHERF who had been involved in the 13:43:15 21 classifications for the AHERF parent endowments 22 was Mr. Lyden? 23 A. Mr. Lyden and Mr. Adamczak. 24 Q. Was there any discussion about 25 whether the use of the classification 13:43:31</p>	<p style="text-align: right;">Page 395</p> <p>1 pronouncement, which included gathering all of 2 the documents, reviewing them with their legal 3 counsel in-house, and evaluating the impact of 4 the new standards. So it was a process that 5 they had undertaken 13:45:11 6 Q. Well, my question is, did you 7 actually hear from anybody that AHERF had gone 8 to financial institutions and requested copies 9 of underlying endowment agreements for the 10 endowments held at AHERF, the parent? 13:45:21 11 A. I believe your original question 12 was more directed to me, whether I personally 13 did 14 Q. It certainly was. You referred me 15 to AHERF personnel. That's why we're coming 13:45:29 16 back to that. 17 Do you ever recall hearing from 18 anybody that AHERF personnel were instructed or 19 had actually themselves gone out and asked for 20 copies of endowment agreements from financial 13:45:40 21 institutions in connection with this '96 22 endowment review? 23 A. I don't know if I -- I don't recall 24 if I knew that. I know they were gathering 25 documents. I'm not sure of all the sources 13:45:53</p>
<p style="text-align: right;">Page 394</p> <p>1 temporarily restricted would create a cushion 2 to enhance earnings in future years? 3 MR. RYAN: Objection to form 4 A. There was no discussion about that. 5 Q. Did you think that might be the 13:43:48 6 case? 7 A. Absolutely not. 8 Q. Did that turn out to be the case, 9 to your knowledge? 10 A. No. 13:43:56 11 Q. Do you recall ever making an 12 inquiry of any financial institution about 13 receiving copies of endowment agreements which 14 endowments were held on the accounts of AHERF, 15 the parent? 13:44:23 16 THE WITNESS: I'm sorry, can you 17 repeat that? 18 (Record read.) 19 A. No, because I believe they were -- 20 they, AHERF, had been undergoing that process 13:44:43 21 themselves. 22 Q. Why did you believe that? 23 A. They had a number of steps that 24 they had been implementing throughout the 25 entire process of adopting the new accounting 13:44:55</p>	<p style="text-align: right;">Page 396</p> <p>1 Q. My question is now, back to you, 2 did you ever yourself make an inquiry, call, 3 visit a financial institution and ask for 4 copies of endowment agreements you believed to 5 be held by AHERF, the parent, in your '96 work? 13:46:06 6 A. I believe I said no because they 7 were doing it -- because they were taking their 8 own procedures to get the documents. 9 Q. My question now is did you instruct 10 Mr. Panucci or anybody else to do that? 13:46:22 11 A. No, I instructed him to review the 12 process of what management was undertaking. 13 Q. Did you ever learn from Mr. Lyden 14 or anybody else that AHERF or C&amp;L had only 15 partial copies or believed they had only 13:46:56 16 partial copies of any of the five endowments 17 that we've now defined as the Lockhart trusts? 18 MR. RYAN: Could I get that read 19 back, please? 20 (Record read.) 13:47:31 21 A. I don't recall. I know there were 22 cases where they didn't have complete documents 23 or information was not available. I just don't 24 recall specifically related to those documents 25 at AHERF. 13:47:48</p>

34 (Pages 393 to 396)

Amy Frazier

Volume 2

<p style="text-align: right;">Page 397</p> <p>1 Q Who did you learn what you just 2 learned about some documents, perhaps, being 3 missing from? 4 A I don't recall if it was Carolyn 5 Cafaro or someone, that there were documents 13:48:09 6 that were very old that they were trying to 7 track down. 8 Q Well, they were old documents that 9 might have some missing portions or they were 10 just old documents? 13:48:24 11 A Old documents that they may just 12 not even have because they never existed or -- 13 period, or -- and I don't know if that was 14 parts, pieces. It was just that they didn't -- 15 it was quite an effort to gather materials 13:48:41 16 throughout the system 17 Q Miss Cafaro you understood to be 18 involved with endowment work related to the 19 eastern enterprises, is that right? 20 A Principally in 1996 But she 13:48:58 21 clearly was identified as the person who had 22 really spent a significant amount of time in 23 understanding the pronouncements and was 24 helping the others in the western region with 25 evaluating what they needed to do 13:49:10</p>	<p style="text-align: right;">Page 399</p> <p>1 category was the approximate 5 4 million in the 2 contribution column? 3 A I'm not sure without looking at all 4 the detail. 5 Q Is there anything else in this 13:51:28 6 schedule that suggests that any amount greater 7 than 5.4 million was to be permanently 8 restricted or reflected as permanently 9 restricted on the '96 financials? 10 A I just don't know without agreeing 13:51:58 11 these to the actual trial balances 12 Q Let's ask it this way Do you 13 ever -- before I do that 14 Did you ever learn from any source 15 that Mellon Bank would not permit AHERF access 13:52:13 16 to any funds or sums held in the Lockhart 17 endowments, as we've described them, other than 18 interest and dividend income? 19 MR. RYAN: This is at any point in 20 time? 13:52:34 21 MR JONES: Yes 22 A Yes 23 Q When did you first learn that? 24 A 1998 25 Q In fact, for a number of years, 13:52:40</p>
<p style="text-align: right;">Page 398</p> <p>1 Q Do you know yourself whether she 2 was involved in any way in locating documents, 3 endowment documents for western enterprises, or 4 AHERF, the parent? 5 A I don't know. 13:49:19 6 Q Tick mark C on the exhibit before 7 you reads, "C&amp;L agreed the amounts to the 8 endowment agreements without exception." 9 Did I read that right? 10 A Yes. 13:49:39 11 Q Again, Mr. Panucci or his ghost 12 writer is referring to procedures that would 13 call for having the endowment agreements -- the 14 endowment agreements in hand, is that fair to 15 say? 13:49:55 16 A Certainly that would support that, 17 yes. I don't know if it was the entire amount 18 or entire document, but whatever had been 19 provided 20 Q Does this schedule reflect in your 13:50:31 21 view today, since you don't recall it from the 22 '96 time frame, that the only amount classified 23 in the '96 financials -- that this schedule 24 would propose to be classified on the '96 25 financials in the permanently restricted 13:50:47</p>	<p style="text-align: right;">Page 400</p> <p>1 both before and after fiscal year 1996, the 2 income and dividend -- I'm sorry, the interest 3 and dividend income on the Lockhart trusts you 4 came to learn was shipped automatically to a 5 concentration account held by AHERF or AGH 13:52:58 6 before AHERF, is that fair to say? 7 MR RYAN: Objection. 8 A I don't recall 9 Q Did you ever learn that from any 10 source? 13:53:08 11 A I don't recall 12 Q When I say shipped to, I mean 13 siphoned off or periodically removed from the 14 trust balances at Mellon and given to other 15 accounts held in the name of AHERF or AGH, that 13:53:26 16 is the interest and dividend income? Did you 17 ever learn that -- maybe I don't have the terms 18 exactly right -- but did you ever learn that as 19 a matter of principle had occurred? 20 A I know, generally speaking, there 13:53:38 21 were accounts that they had that amounts they 22 received might go into another account balance 23 I just don't know how the -- I can't recall if 24 it relates to these or others I mean, I 25 remember the term concentration account also, 13:53:54</p>

35 (Pages 397 to 400)





IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PENNSYLVANIA

THE OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS OF  
ALLEGHENY HEALTH, EDUCATION  
& RESEARCH FOUNDATION,  
Plaintiff,

vs.

PRICewaterHOUSECOOPERS,  
LLP,

Defendant.

Civil Action

No. 00-684

Continued Videotaped Deposition of  
AMY FRAZIER, called for examination under the  
Applicable Rules of Federal Civil Procedure,  
taken before me, Michele E. Eddy, a Registered  
Professional Reporter and Notary Public in and  
for the State of Ohio, pursuant to notice and  
stipulations of counsel, at the offices of  
Jones Day, 222 East 41st Street, Suite 400, New  
York, New York, on Thursday, the 10th day of  
June, 2004, at 9:00 a.m.

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VOLUME III

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RENNILLO REPORTING SERVICES  
A LEGALINK AFFILIATE





<p style="text-align: right;">Page 582</p> <p>1 the first meeting?</p> <p>2 Q. At any time up to and including the</p> <p>3 conversation with him.</p> <p>4 A. I really had no understanding of</p> <p>5 what it was to come to a conclusion. I needed 09:54:44</p> <p>6 more facts.</p> <p>7 Q. Did you ever formulate a conclusion</p> <p>8 or ever come to the view that this transaction</p> <p>9 was consistent with GAAP?</p> <p>10 MR. RYAN: Could I get that read 09:54:58</p> <p>11 back, please?</p> <p>12 (Record read.)</p> <p>13 A. Yes.</p> <p>14 Q. So you believed at some point that</p> <p>15 it was okay under GAAP? 09:55:15</p> <p>16 MR. RYAN: Objection. I don't</p> <p>17 think that's what she just said.</p> <p>18 Q. So you formulated a conclusion at</p> <p>19 some point that this was consistent with GAAP?</p> <p>20 A. You asked me if I developed a view. 09:55:23</p> <p>21 Q. Yes</p> <p>22 A. If it was consistent. And I'm</p> <p>23 saying, yes, I developed a view</p> <p>24 Q. What was the view?</p> <p>25 A. That it was not consistent. 09:55:30</p>	<p style="text-align: right;">Page 584</p> <p>1 A. I just said it was unnecessary, you</p> <p>2 don't need it, why are you doing it? You need</p> <p>3 to have reserves at Graduate, keep them there.</p> <p>4 Q. My question was, did you tell him</p> <p>5 to reverse it? 09:56:47</p> <p>6 A. Yes.</p> <p>7 Q. What did he say in this</p> <p>8 conversation?</p> <p>9 A. I don't recall. I mean -- it had</p> <p>10 been on two occasions at least that I had had 09:56:54</p> <p>11 that discussion with him and -- and I just -- I</p> <p>12 don't recall what he said. I do recall, back</p> <p>13 again to that first conversation of it's what</p> <p>14 they did, figure it out</p> <p>15 Q. When did you first tell 09:57:14</p> <p>16 Mr. Cancelmi that you thought he should reverse</p> <p>17 the transaction or the entries or that they</p> <p>18 were stupid?</p> <p>19 MR. RYAN: Objection</p> <p>20 Q. Maybe it can help you by saying how 09:57:27</p> <p>21 close in time after the first August meeting</p> <p>22 with him?</p> <p>23 A. It was sometime during year-end</p> <p>24 field work. It's a compressed period of a few</p> <p>25 weeks. It really -- I don't know. 09:57:38</p>
<p style="text-align: right;">Page 583</p> <p>1 Q. Thank you.</p> <p>2 A. Not necessarily consistent with</p> <p>3 GAAP</p> <p>4 Q. When did you formulate that view,</p> <p>5 that this set of entries regarding the 50 09:55:36</p> <p>6 million dollar reserve transfers was not or</p> <p>7 were not consistent with GAAP? The question is</p> <p>8 when</p> <p>9 A. Sometime later in the audit as I</p> <p>10 got more information, that if the adjustment, 09:55:52</p> <p>11 at least as I was understanding it from their</p> <p>12 perspective, would not be consistent with GAAP,</p> <p>13 that it was a bookkeeping entry that I needed</p> <p>14 to evaluate</p> <p>15 Q. Did you share your view with 09:56:08</p> <p>16 anyone?</p> <p>17 A. Yes</p> <p>18 Q. With whom?</p> <p>19 A. I discussed that with Mr. Buettner</p> <p>20 and on other occasions with Mr. Cancelmi saying 09:56:15</p> <p>21 why would you do something so stupid, reverse</p> <p>22 it</p> <p>23 Q. So I understand that last piece of</p> <p>24 the testimony, you told Mr. Cancelmi to</p> <p>25 reserve -- to reverse this reserve transfer? 09:56:32</p>	<p style="text-align: right;">Page 585</p> <p>1 Q. Was it in August or September of</p> <p>2 '97?</p> <p>3 A. It was probably later August or</p> <p>4 early September. I just don't know.</p> <p>5 Q. Do you recall anything more about 09:57:52</p> <p>6 the subsequent two conversations in which you</p> <p>7 asked Mr. Cancelmi to -- or told Mr. Cancelmi</p> <p>8 to reverse the entries than what you've just</p> <p>9 told me as you sit here today?</p> <p>10 A. The one other was what we had 09:58:04</p> <p>11 talked about yesterday relative to Rancocas,</p> <p>12 which was obviously later.</p> <p>13 Q. We talked about that one yesterday.</p> <p>14 A. Yes.</p> <p>15 Q. Anything more? 09:58:13</p> <p>16 A. I mean, there were a number of</p> <p>17 other just discussions that were taking place</p> <p>18 throughout the course of the audit relative to</p> <p>19 purchase accounting and related to Graduate.</p> <p>20 Q. No, let me help you limit the 09:58:33</p> <p>21 question</p> <p>22 A. Okay.</p> <p>23 Q. I'm sorry to interrupt you.</p> <p>24 A. That's okay.</p> <p>25 Q. I really want to know anything more 09:58:39</p>

12 (Pages 582 to 585)

Amy Frazier

Volume 3

<p style="text-align: right;">Page 586</p> <p>1 you recall, anything about the two</p> <p>2 conversations in which you told Mr. Cancelmi to</p> <p>3 reverse the two entries.</p> <p>4 MR. RYAN: Other than what she's</p> <p>5 already testified to. 09:58:46</p> <p>6 MR. JONES: Yes.</p> <p>7 Q. Which was, I think, he should</p> <p>8 reverse them because they weren't necessary.</p> <p>9 A. Right.</p> <p>10 Q. Or that they were stupid. 09:58:52</p> <p>11 MR. RYAN: We got a lot yesterday</p> <p>12 about the second conversation.</p> <p>13 Q. I'm not asking about the Rancocas</p> <p>14 conversation.</p> <p>15 A. Not as I sit here today, I don't 09:59:03</p> <p>16 recall.</p> <p>17 Q. Do you recall him ever saying he</p> <p>18 would or wouldn't do it, that is, reverse it?</p> <p>19 A. I don't recall, as I sit here</p> <p>20 today. 09:59:19</p> <p>21 Q. Had you known Mr. Cancelmi in his</p> <p>22 work at Coopers &amp; Lybrand?</p> <p>23 A. Oh, yes.</p> <p>24 Q. Had you worked together on audits?</p> <p>25 A. Yes. 09:59:25</p>	<p style="text-align: right;">Page 588</p> <p>1 A. I don't recall. It was really</p> <p>2 within those last few weeks of the audit, or at</p> <p>3 least that main stage of the year-end field</p> <p>4 work.</p> <p>5 Q. Was it more than a few days between 10:20:11</p> <p>6 those two conversations?</p> <p>7 A. I really don't recall. It could</p> <p>8 have spanned a weekend for all I know.</p> <p>9 Q. Do you recall working on or having</p> <p>10 performed any analysis between the two 10:20:28</p> <p>11 conversations that led you to conclude that the</p> <p>12 Graduate hospitals needed the reserves and the</p> <p>13 Delaware Valley Obligated Group did not?</p> <p>14 A. Yes.</p> <p>15 MR. RYAN: Objection. 10:20:40</p> <p>16 Q. So this was an analysis that you</p> <p>17 could have completed over a weekend?</p> <p>18 MR. RYAN: Objection.</p> <p>19 A. There was various things that were</p> <p>20 occurring throughout the course of the audit, 10:20:51</p> <p>21 end of the audit. So I don't remember when I</p> <p>22 completed each of those pieces that kind of</p> <p>23 mixed into that analysis</p> <p>24 Q. But you had done some work between</p> <p>25 the two conversations on the topic of who 10:21:07</p>
<p style="text-align: right;">Page 587</p> <p>1 Q. Which audits?</p> <p>2 A. AHERF. I don't recall if there</p> <p>3 were others. There may have been something</p> <p>4 else, but --</p> <p>5 Q. Did you consider him a good working 09:59:37</p> <p>6 colleague in your times together at C&amp;L?</p> <p>7 A. Yes. He was smart, technical,</p> <p>8 fair. I thought we worked well together.</p> <p>9 MR. RYAN: Would now be a good time</p> <p>10 for a break, Jim? 10:00:05</p> <p>11 MR. JONES: Yes. I'm sorry.</p> <p>12 That's just fine.</p> <p>13 THE VIDEOGRAPHER: Off the record,</p> <p>14 10:00</p> <p>15 (Recess had) 10:00:10</p> <p>16 THE VIDEOGRAPHER: Back on the</p> <p>17 record, 10:20.</p> <p>18 Q. Miss Frazier, how close in time was</p> <p>19 your first conversation with Mr. Cancelmi at</p> <p>20 which you discussed these transfers of reserves 10:19:42</p> <p>21 from Graduate -- the Graduate hospitals to the</p> <p>22 Delaware Valley Obligated Group hospitals and</p> <p>23 your second conversation with Mr. Cancelmi at</p> <p>24 which you told him he should reverse the</p> <p>25 entries? 10:19:55</p>	<p style="text-align: right;">Page 589</p> <p>1 needed the reserves?</p> <p>2 A. Yes, including talking to</p> <p>3 Mr. Buettner about it as well.</p> <p>4 Q. When you talked with Mr. Buettner</p> <p>5 the first time, was that -- how many days or 10:21:16</p> <p>6 was it after or was it the same day as the</p> <p>7 first conversation with Mr. Cancelmi?</p> <p>8 A. I'm really not sure. It was fairly</p> <p>9 close after. I just don't know if it was the</p> <p>10 same day. I really don't know. It was -- it 10:21:28</p> <p>11 seemed -- I just feel that it was pretty close</p> <p>12 after. I just don't know if a night lapsed or</p> <p>13 not.</p> <p>14 Q. So, again, within a day or two?</p> <p>15 A. Yes. 10:21:44</p> <p>16 Q. What was Mr. Buettner's reaction?</p> <p>17 A. He wasn't aware of what it was, and</p> <p>18 we talked about a series of steps that we would</p> <p>19 like to take over the course of the audit to</p> <p>20 understand what it related to, what the impact 10:21:58</p> <p>21 was, what Graduate needed, what AHERF didn't</p> <p>22 need, the DVOG hospitals, and to evaluate the</p> <p>23 bad debt reserves at DVOG.</p> <p>24 So we talked about a series of</p> <p>25 things that we needed to do from a -- our audit 10:22:14</p>

13 (Pages 586 to 589)

<p style="text-align: right;">Page 590</p> <p>1 procedures</p> <p>2 Q. Do you recall anything more about</p> <p>3 the conversation, anything he said or you said?</p> <p>4 A. We actually talked about the entire</p> <p>5 memo and all of the things on the memo as part 10:22:27</p> <p>6 of that conversation, so it was not just the 50</p> <p>7 million. I recall also just talking about an</p> <p>8 update on the overall status of the audit</p> <p>9 Q. Related to the Graduate reserve</p> <p>10 transfers, though? 10:22:45</p> <p>11 MR. RYAN: You're asking if there's</p> <p>12 anything in this first meeting with</p> <p>13 Mr. Buettner that she can remember?</p> <p>14 MR. JONES: Beyond what she's just</p> <p>15 said about the Graduate reserve transfer issue. 10:22:52</p> <p>16 A. Just generally, we had some work to</p> <p>17 do and needed to understand.</p> <p>18 Q. Had you -- did you tell</p> <p>19 Mr. Buettner, in your first conversation with</p> <p>20 him on the topic, that you had already told 10:23:02</p> <p>21 Mr. Cancelmi to reverse the entries?</p> <p>22 A. No. My recollection was that I was</p> <p>23 still at the early stages of not really</p> <p>24 understanding what exactly the transaction was,</p> <p>25 so I couldn't formulate that type of an opinion 10:23:17</p>	<p style="text-align: right;">Page 592</p> <p>1 A. It's notes from a meeting that I</p> <p>2 had with Dan Cancelmi on some early purchase</p> <p>3 accounting adjustments that they had provided</p> <p>4 to us.</p> <p>5 Q. That meeting occurred on the day of 10:25:02</p> <p>6 the -- that your notes are dated, 7-16-97?</p> <p>7 A. I'm not sure if that was the actual</p> <p>8 date, but it was probably approximately then.</p> <p>9 Q. Was your practice to, when you took</p> <p>10 notes about meetings, to date them, the notes 10:25:18</p> <p>11 on the day the meeting was held?</p> <p>12 A. Not always.</p> <p>13 Q. Why would you vary from that?</p> <p>14 A. I may not have dated it and the</p> <p>15 next day when I went back to it dated it. I 10:25:30</p> <p>16 just -- it depended. There was no consistency</p> <p>17 necessarily.</p> <p>18 Q. Do you have any doubt that you met</p> <p>19 with Dan Cancelmi and discussed these topics</p> <p>20 within a few days of July 16, 1997? 10:25:42</p> <p>21 A. No</p> <p>22 Q. In fact, you've written Dan C at</p> <p>23 the top of the page and your initials, ASF, is</p> <p>24 that right?</p> <p>25 A. That's correct. 10:25:53</p>
<p style="text-align: right;">Page 591</p> <p>1 at that point.</p> <p>2 Q. Can you recall today what it is you</p> <p>3 had done between the first conversation with</p> <p>4 Mr. Cancelmi about the topic and the</p> <p>5 conversation during which you first told him to 10:23:28</p> <p>6 reverse the entries by way of analysis?</p> <p>7 A. I'm sorry, with Mr. Cancelmi?</p> <p>8 Q. Yes. As you sit here today.</p> <p>9 A. I just broadly recall knowing that</p> <p>10 Graduate needed them for purposes at Graduate. 10:23:46</p> <p>11 I don't recall generally what -- I don't recall</p> <p>12 specifically what steps that included at that</p> <p>13 point, but I at least had a view that Graduate</p> <p>14 needed them. I don't know if at that point I</p> <p>15 was at the stage of knowing whether or not DVOG 10:24:04</p> <p>16 didn't need reserves</p> <p>17 - - - - -</p> <p>18 (Thereupon, Deposition Exhibit 4435</p> <p>19 was marked for purposes of</p> <p>20 identification )</p> <p>21 - - - - -</p> <p>22 Q. I'm going to hand you now what</p> <p>23 we've marked as Exhibit 4435</p> <p>24 Can you identify this document for</p> <p>25 me? 10:24:45</p>	<p style="text-align: right;">Page 593</p> <p>1 Q. The topic is Graduate purchase</p> <p>2 adjustments?</p> <p>3 A. Yes.</p> <p>4 Q. I'm going to ask you to tell me if</p> <p>5 you recall what you meant by amortization 35 10:26:06</p> <p>6 years, item two.</p> <p>7 A. I don't recall the actual note, but</p> <p>8 I recall generally speaking, that they wanted</p> <p>9 to amortize the good will established, the</p> <p>10 positive good will established for the Graduate 10:26:25</p> <p>11 acquisition as over 35 years</p> <p>12 Q. Did C&amp;L ever take exception to this</p> <p>13 treatment?</p> <p>14 A. I don't believe so, but I know that</p> <p>15 there was some good will that did not -- that 10:26:37</p> <p>16 went to PP&amp;E, so, I mean, there was further</p> <p>17 steps taken later that I would need to look at</p> <p>18 that detail.</p> <p>19 Q. Would you flip to the second page</p> <p>20 of your notes? See at the bottom of the page 10:26:50</p> <p>21 the number 50 and the letter M? Do you know</p> <p>22 why you wrote that note, 50 M?</p> <p>23 A. I believe it's in different -- I'm</p> <p>24 not sure if that one is in different pen or</p> <p>25 not, but it was, as I recall, a follow-up note 10:27:12</p>

14 (Pages 590 to 593)



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<p style="text-align: right;">Page 610</p> <p>1 Frazier, give you any reason to believe that</p> <p>2 you knew about the 50 million dollar reserve</p> <p>3 transfers of which we've been speaking in April</p> <p>4 of '97?</p> <p>5 A. Absolutely not. I knew about it in 10:46:58</p> <p>6 August or year-end field work of 1997.</p> <p>7 Q. Let's skip to the next page. It</p> <p>8 says materiality, 15 million dollars, \$500,000</p> <p>9 SUD. Did I read that right?</p> <p>10 MR. RYAN: I'm not sure it was 15. 10:47:16</p> <p>11 MR. JONES: I said 15.</p> <p>12 MR. RYAN: I'm not sure that that's</p> <p>13 15</p> <p>14 A. I believe that's 1.5. There's a</p> <p>15 faint dot there that maybe on the original is 10:47:23</p> <p>16 more clear</p> <p>17 Q. I apologize if I've misread it, but</p> <p>18 I really can see no dot. So if that's your</p> <p>19 best recollection -- you've seen the document a</p> <p>20 number of times before, is that right? 10:47:34</p> <p>21 A. Yes. It's 1.5.</p> <p>22 Q. So the note reads, and it's in red,</p> <p>23 materiality, 1.5 million dollars, \$500,000 SUD,</p> <p>24 is that right?</p> <p>25 A. Everything is in red. There wasn't 10:47:50</p>	<p style="text-align: right;">Page 612</p> <p>1 into the planning work papers.</p> <p>2 Q. You can't recall?</p> <p>3 A. I can't, without looking at that.</p> <p>4 Q. It's been a number of years.</p> <p>5 A. Yes 10:48:53</p> <p>6 Q. But you recall with clarity that</p> <p>7 the 50 million dollar reserve location note of</p> <p>8 a number of years ago did not refer to the</p> <p>9 transfer of the reserves from the Graduate</p> <p>10 hospitals to the Delaware Valley Obligated 10:49:19</p> <p>11 Group hospitals, am I right?</p> <p>12 A. Absolutely, because that was a part</p> <p>13 of a conference call. This, we wouldn't have</p> <p>14 been talking about materiality with that call</p> <p>15 Q. You think this note is unrelated, 10:49:22</p> <p>16 the materiality note?</p> <p>17 A. It could have been or it's just a</p> <p>18 follow-up discussion even after we got off the</p> <p>19 phone, but I remember the call.</p> <p>20 Q. You can recall Mr. Cancelmi's words 10:49:33</p> <p>21 precisely so that you can quote them, am I</p> <p>22 right, today?</p> <p>23 MR. RYAN: Objection</p> <p>24 Q. That the reserves were for Graduate</p> <p>25 at Graduate in those words? 10:49:43</p>
<p style="text-align: right;">Page 611</p> <p>1 anything unique about it being red.</p> <p>2 Q. I was just trying to time it so</p> <p>3 that we knew when you took it</p> <p>4 A. Yes.</p> <p>5 Q. Do you know what that means today? 10:47:57</p> <p>6 A. I was referring to some materiality</p> <p>7 guidelines that we were contemplating as part</p> <p>8 of planning for the audit.</p> <p>9 Q. What did the 1.5 million dollars</p> <p>10 refer to? 10:48:12</p> <p>11 A. I would have to look back to our</p> <p>12 actual planning information. I just don't</p> <p>13 recall as I sit here today.</p> <p>14 Q. Do you know what the 500,000 K SUD</p> <p>15 referred to? 10:48:27</p> <p>16 A. Based on that, it's an -- I don't</p> <p>17 recall writing it, but, based on that, it</p> <p>18 appears at least as an initial recommendation</p> <p>19 of what we would include as possible</p> <p>20 adjustments on the SUD. 10:48:37</p> <p>21 Q. But the -- you can't recall what</p> <p>22 the 1.5 million dollars reserves to?</p> <p>23 Is that overall materiality?</p> <p>24 MR. RYAN: Objection.</p> <p>25 A. I can't recall. I need to go back 10:48:46</p>	<p style="text-align: right;">Page 613</p> <p>1 MR. RYAN: Objection.</p> <p>2 A. In those words. I don't know if he</p> <p>3 had ands and the's in between, but he said</p> <p>4 they're for Graduate at Graduate for the types</p> <p>5 of things that they need at Graduate 10:49:52</p> <p>6 Q. I just want to make sure you recall</p> <p>7 that today.</p> <p>8 A. Absolutely.</p> <p>9 Q. Miss Frazier, I'm handing you what</p> <p>10 we've marked as 4258. It's a working paper 10:50:34</p> <p>11 named Hahnemann Trial Balance Review. Do you</p> <p>12 see that?</p> <p>13 A. Yes.</p> <p>14 Q. This is a working paper, I believe,</p> <p>15 that has been printed out in hard copy from a 10:50:46</p> <p>16 version of the CLASS database that was not the</p> <p>17 final version of the CLASS database for fiscal</p> <p>18 year '97.</p> <p>19 If you look about one, two, three,</p> <p>20 four pages into the document, you'll see a 10:51:09</p> <p>21 print of the screen that shows you as the</p> <p>22 author. Is that right?</p> <p>23 A. That's what it states, yes</p> <p>24 Q. Do you recall authoring this</p> <p>25 document? 10:51:27</p>

19 (Pages 610 to 613)



<p style="text-align: right;">Page 614</p> <p>1 A I don't recall the document</p> <p>2 specifically, no</p> <p>3 Q Do you have any doubt that you did?</p> <p>4 A No, not based on this. I'm not</p> <p>5 sure -- I mean, I'm not sure about all of the 10:51:37</p> <p>6 individual line items within it, but --</p> <p>7 Q If you skip to the next page, the</p> <p>8 print of that page indicates that you created</p> <p>9 the document. Is that right?</p> <p>10 A Yes. 10:51:51</p> <p>11 Q Do you have any doubt that you did?</p> <p>12 A No</p> <p>13 Q If you skip to the next page, that</p> <p>14 screen print indicates that you created the</p> <p>15 document on May 13, 1997 about 2:00 in the 10:52:02</p> <p>16 afternoon. Is that right?</p> <p>17 A I'm sorry, I don't see my name.</p> <p>18 Q Well, that the document itself was</p> <p>19 created. I was carrying over the presumption</p> <p>20 that you created it from the page prior. 10:52:28</p> <p>21 A Oh, I'm sorry. That's what it</p> <p>22 states, yes.</p> <p>23 Q Can you look at the rest of the</p> <p>24 screen prints and find for me -- I believe the</p> <p>25 document indicates that it was last modified on 10:52:37</p>	<p style="text-align: right;">Page 616</p> <p>1 recall from 6-30-97's audit work about what</p> <p>2 this means?</p> <p>3 A Yes.</p> <p>4 Q What is your recall of what this</p> <p>5 means? 10:54:10</p> <p>6 A That the DVOG hospitals were going</p> <p>7 to be implementing their new bad debt</p> <p>8 methodology and, once they did that, they</p> <p>9 expected that they would need to record</p> <p>10 additional bad debt reserves and they were 10:54:26</p> <p>11 going to take it over two months of about 25</p> <p>12 and 25 million each.</p> <p>13 Q Where were they going to get those</p> <p>14 reserve amounts, do you have any recollection</p> <p>15 of that or knowing that at the time you typed 10:54:37</p> <p>16 this document?</p> <p>17 MR. RYAN: Objection.</p> <p>18 A I don't recall as far as typing the</p> <p>19 document, but I recall generally in April</p> <p>20 knowing that they were going to record it as 10:54:48</p> <p>21 just normal bad debt reserves that you would do</p> <p>22 on any type of bad debt reserve transaction.</p> <p>23 Q Who did you learn that from?</p> <p>24 A Dan Cancelmi.</p> <p>25 Q When you had those conversations -- 10:55:02</p>
<p style="text-align: right;">Page 615</p> <p>1 May 22nd, 1997 Do you see that?</p> <p>2 A I see date modified, 5-22-97. I'm</p> <p>3 not sure if that's last modified.</p> <p>4 Q Does that list all of the dates of</p> <p>5 the modification there? 10:53:06</p> <p>6 A I don't know I'm not just that</p> <p>7 familiar with that level of detail of CLASS to</p> <p>8 know that.</p> <p>9 Q Let me direct you back now to the</p> <p>10 first page of the document. You see about a 10:53:20</p> <p>11 third of the way down on the face page of the</p> <p>12 document that there is a line that reads, "How</p> <p>13 is the first 25 of the 50 million distributed</p> <p>14 to the entities, or did this occur in April."</p> <p>15 Do you see that? 10:53:39</p> <p>16 A Yes.</p> <p>17 Q Do you believe that you typed that</p> <p>18 line or two lines?</p> <p>19 A I don't have any reason to doubt</p> <p>20 that I didn't 10:53:47</p> <p>21 Q As you sit here today, do you know</p> <p>22 what that means?</p> <p>23 A Generally speaking, yes</p> <p>24 Q What do you believe that it means?</p> <p>25 Let me ask this. Do you have any 10:54:00</p>	<p style="text-align: right;">Page 617</p> <p>1 was this in a conversation?</p> <p>2 A Yes</p> <p>3 Q When you had those conversations,</p> <p>4 did Mr. Cancelmi tell you anything about how he</p> <p>5 anticipated that reserve increase was to be 10:55:19</p> <p>6 recorded in specific?</p> <p>7 MR. RYAN: Objection.</p> <p>8 A I just recall it being we're going</p> <p>9 to record our bad debt reserve like we do, we</p> <p>10 adopted the methodology, it's just normal 10:55:30</p> <p>11 course of business that they've done in the</p> <p>12 past.</p> <p>13 Q When you say normal course of</p> <p>14 business, how was it recorded at AHERF</p> <p>15 hospitals? 10:55:39</p> <p>16 A In the past?</p> <p>17 MR. RYAN: You mean generally?</p> <p>18 Q Yes, in your experience as of the</p> <p>19 audit of 1997</p> <p>20 A As bad debt expense. 10:55:46</p> <p>21 Q So you increase bad debt expense on</p> <p>22 the statement of operations and boost the</p> <p>23 reserve by the same amount?</p> <p>24 A That would be the offsetting entry,</p> <p>25 yes.</p>

20 (Pages 614 to 617)

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<p style="text-align: right;">Page 618</p> <p>1 Q You had no knowledge, as of the</p> <p>2 date you authored Exhibit 4258, of a plan to or</p> <p>3 the implementation of a plan to move 50 million</p> <p>4 dollars of reserves established in connection</p> <p>5 with the Graduate Hospital acquisition to the 10:56:15</p> <p>6 Delaware Valley Obligated Group bad debt</p> <p>7 reserves, is that right?</p> <p>8 A. Absolutely not.</p> <p>9 Q. Am I right?</p> <p>10 A. I had no knowledge of that. 10:56:33</p> <p>11 Q. Why use the word distributed then</p> <p>12 if you -- if they were going to do this in the</p> <p>13 normal course, what does the word distributed</p> <p>14 mean?</p> <p>15 A. I just didn't know how, on which 10:56:36</p> <p>16 books it related to. So I knew it broadly as</p> <p>17 there was going to be 50 million on all the</p> <p>18 DVOG entities. I just didn't know which ones.</p> <p>19 Q. I'm handing you now, Miss Frazier,</p> <p>20 Exhibit 4297. I'll just have a few questions 10:57:14</p> <p>21 for you. It's a C&amp;L work paper dated June 9,</p> <p>22 1997 and apparently created and last modified</p> <p>23 by Miss Heinlein. Is that right?</p> <p>24 A. Yes, according to what it says.</p> <p>25 Q. It's an issue topic document, is 10:57:37</p>	<p style="text-align: right;">Page 620</p> <p>1 but yes.</p> <p>2 Q. It ultimately then, in the same</p> <p>3 issue description area, gives us the journal</p> <p>4 entries or proposed journal entries that would</p> <p>5 be involved. Is that right? 10:58:52</p> <p>6 A. There are journal entries listed</p> <p>7 there, yes.</p> <p>8 Q. When did you first see this</p> <p>9 document, if ever, before today?</p> <p>10 A. I don't recall if I've ever seen it 10:59:09</p> <p>11 other than in deposition preparation.</p> <p>12 Q. You don't recall seeing it before</p> <p>13 being prepared for lawyers to testify in the</p> <p>14 SEC case, is that right?</p> <p>15 A. That's correct. 10:59:23</p> <p>16 Q. When was your first preparation for</p> <p>17 deposition in the SEC case at least by year?</p> <p>18 A. 1998, maybe. Nine? I don't know.</p> <p>19 Some --</p> <p>20 Q. Not earlier than 1998, is that 10:59:40</p> <p>21 right?</p> <p>22 A. No.</p> <p>23 Q. It would not be earlier than that,</p> <p>24 am I right?</p> <p>25 A. That's correct. 10:59:46</p>
<p style="text-align: right;">Page 619</p> <p>1 that right?</p> <p>2 A. That's what it states, yes.</p> <p>3 Q. About the 50 million dollar reserve</p> <p>4 entry, that's what it reads?</p> <p>5 A. Yes. 10:57:48</p> <p>6 Q. It then reads, "Per conversation</p> <p>7 with Robin Schafer, C&amp;L notes that a total of</p> <p>8 50 million dollars was intercompained" --</p> <p>9 "intercompained from the Graduate hospitals to</p> <p>10 the Delaware Valley hospitals due to the DV bad 10:58:05</p> <p>11 debt reserve short-falls.</p> <p>12 "A determination was made that 25</p> <p>13 million of reserves would be recorded in the DV</p> <p>14 hospitals in the March 1997 financials and the</p> <p>15 remaining 25 million dollars would be recorded 10:58:21</p> <p>16 in April "</p> <p>17 Do you see that?</p> <p>18 A. That's what it says, yes.</p> <p>19 Q. Then there's a schedule below that</p> <p>20 reflects an allocation of those reserves, is 10:58:29</p> <p>21 that right, to the various Delaware Valley</p> <p>22 Obligated Group hospitals?</p> <p>23 A. Yes.</p> <p>24 Q. Which totals 50 million dollars?</p> <p>25 A. Looks like the totals are all off, 10:58:41</p>	<p style="text-align: right;">Page 621</p> <p>1 Q. Do you see this document, it</p> <p>2 appears to be created by Miss Heinlein and last</p> <p>3 modified by Miss Heinlein on June 9, 1997?</p> <p>4 A. Yes.</p> <p>5 Q. If Miss Heinlein has testified that 11:00:13</p> <p>6 it is her best recollection that she first</p> <p>7 heard about the 50 million dollar Graduate</p> <p>8 reserve entries to increase the bad debt</p> <p>9 reserve at the Delaware Valley Obligated Group</p> <p>10 hospitals, that she first learned of that set 11:00:29</p> <p>11 of entries from you, would you disagree with</p> <p>12 her today?</p> <p>13 MR. RYAN: Objection.</p> <p>14 A. I don't know. It depends on the</p> <p>15 timing. 11:00:42</p> <p>16 Q. Well, she's apparently</p> <p>17 knowledgeable of it as of June 9, 1997, by at</p> <p>18 least as far as you read this document, am I</p> <p>19 right?</p> <p>20 A. That's what the document states. 11:00:55</p> <p>21 Q. So if she knew in June of '97 and</p> <p>22 she says that she learned about it for the</p> <p>23 first time from you, would you disagree with</p> <p>24 her today on the record?</p> <p>25 MR. RYAN: Objection. 11:01:07</p>

21 (Pages 618 to 621)



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<p style="text-align: right;">Page 622</p> <p>1 A I would need to break down elements 2 of that because I recall discussions with her 3 about 50 million dollars in reserves being 4 recorded at DVOG and then separately having 5 discussions with her regarding transfers as 11:01:19 6 part of the year-end field work. So in the 7 aggregate, there may be pieces of that I would 8 agree with, but -- 9 Q Let's just -- let's put it real 10 bluntly. If she has testified or does testify 11:01:37 11 at trial that she knew about the reserve 12 transfers in June of '97, not whether there 13 might be some reserves established in one place 14 and whether there might be some additional 15 reserves needed someplace else, but that she 11:01:49 16 knew about the actual transfer of reserves from 17 the Graduate hospitals to the Delaware Valley 18 Obligated Group hospitals in June of '97 and 19 she first learned about it from you, do you 20 disagree with her? 11:02:03 21 MR. RYAN: I'll object to that 22 because I think that mischaracterizes Miss 23 Heinlein's testimony. 24 MR. JONES: I posed a hypothetical. 25 Q Do you disagree with her? 11:02:12</p>	<p style="text-align: right;">Page 624</p> <p>1 Q Do you have any doubt that you 2 authored the document? 3 A No I mean, obviously the response 4 piece I would not have necessarily authored, 5 but -- 11:04:30 6 Q But the review comment you would 7 have authored? 8 A Likely, yes. 9 Q Here you're writing, "Assign a 10 basis for the need to account for this at 11:04:43 11 Graduate, i.e., why Graduate needs to establish 12 such reserves " Did you write that -- or did I 13 read that right? I'm sorry. 14 A Yes 15 Q In the response it reads, "It was 11:05:03 16 concluded that we should keep these two issues 17 separate " Do you see that? 18 A Yes 19 Q Do you know what that means, as you 20 sit here today? 11:05:14 21 A Generally speaking, yes. 22 Q What do you think it means? 23 A That the Graduate reserves and 24 whether or not Graduate needed reserves is one 25 topic and that whether or not DVOG was impacted 11:05:30</p>
<p style="text-align: right;">Page 623</p> <p>1 A Yes, if that's the hypothetical 2 Q Handing you now what we've marked 3 as Exhibit 4264, Miss Frazier, I'm going to ask 4 you to take a moment to look at that document 5 which I believe has been derived from the final 11:03:01 6 CLASS database. 7 A Okay. 8 Q Have you seen this document before? 9 A Yes. 10 Q It reads, "This is not sufficient 11:03:34 11 documentation," is that right, as an on-line 12 summary? 13 A Yes. 14 Q It has a link to further 15 information line that reads, "Exclamation 11:03:44 16 point, 50 million dollar reserve entry." Is 17 that right? 18 A Yes. 19 Q It appears that you're the author 20 of this document, is that right, from the 11:04:01 21 screen prints and otherwise? 22 A Yes. 23 Q It has a date created of 8-7-97. 24 Is that right? 25 A Yes. 11:04:13</p>	<p style="text-align: right;">Page 625</p> <p>1 by the transfer of reserves was another topic. 2 Q Do you know who wrote that? 3 A I do not. 4 Q Is this a comment on the issue 5 document marked as Exhibit 4302? 11:05:47 6 MR. RYAN: 4302? 7 Q I'm sorry, 4297, I apologize. 8 MR. RYAN: You mean on that 9 version? 10 MR. JONES: Or on any version. 11:06:09 11 A I don't know without looking at the 12 electronic CLASS system, the source documents 13 Q We've handed you just now, Miss 14 Frazier, what we've marked as Exhibit 4263. 15 This is a work paper headed Graduate Good Will 11:06:46 16 Entry completed by Kristen Heinlein and dated 17 8-21-97 and last modified by Miss Porter 18 apparently on 9-10-97 19 Have you seen this before today? 20 A I don't recall. 11:07:03 21 Q Do you recall having any 22 involvement in any of its text? 23 A No, I don't recall because my name 24 is not listed in the modification history 25 Q Let me ask you to read to yourself 11:07:26</p>

22 (Pages 622 to 625)



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<p style="text-align: right;">Page 630</p> <p>1 A. I don't recall.</p> <p>2 Q. Let me ask you to skip -- to flip</p> <p>3 to the second page, in the box that reads</p> <p>4 "purchase price adjustments."</p> <p>5 Are you with me? 11:13:46</p> <p>6 A. Yes.</p> <p>7 Q. There's a note or a line that</p> <p>8 reads, "Additional bad debt reserve for DVAR, 8</p> <p>9 million dollars." Is that right?</p> <p>10 A. Yes. 11:13:54</p> <p>11 Q. You knew City Avenue Hospital to be</p> <p>12 a Graduate Obligated Group or a Graduate</p> <p>13 Hospital, is that right?</p> <p>14 A. Graduate Hospital, yes.</p> <p>15 Q. Here we've got somebody saying in 11:14:04</p> <p>16 their -- in the purchase price adjustments for</p> <p>17 City Avenue, a Graduate Hospital, the words</p> <p>18 "additional bad debt reserve for DV slash A/R,</p> <p>19 8 million dollars." Am I right?</p> <p>20 A. That's what it says. 11:14:21</p> <p>21 Q. Can you put that to the side but</p> <p>22 fold it over so that the second page stays in</p> <p>23 the same place?</p> <p>24 I'm now handing you what we've</p> <p>25 marked as Exhibit 4123 on another day. Again, 11:14:37</p>	<p style="text-align: right;">Page 632</p> <p>1 million dollars," right?</p> <p>2 A. Yes.</p> <p>3 Q. On the final version of the CLASS</p> <p>4 print, Exhibit 4123, the line now reads,</p> <p>5 "Additional bad debt reserve, 8 million 11:16:07</p> <p>6 dollars," is that right?</p> <p>7 A. Yes.</p> <p>8 Q. So what is different is the words</p> <p>9 or phrase for DV A/R. Is that right?</p> <p>10 A. Yes 11:16:21</p> <p>11 Q. Do you know why it's been deleted,</p> <p>12 those --</p> <p>13 MR. RYAN: Objection.</p> <p>14 Q. -- three words, "for DV slash A/R"?</p> <p>15 A. I don't know why they modified the 11:16:34</p> <p>16 work paper specifically.</p> <p>17 Q. Did you ask someone to do that?</p> <p>18 MR. RYAN: Objection.</p> <p>19 A. I don't recall the work paper. I</p> <p>20 recall generally us talking about how we needed 11:16:47</p> <p>21 to document our understanding of the two</p> <p>22 reserves. I don't know what that played out,</p> <p>23 though, to the individual work papers.</p> <p>24 Q. Did you ask someone, Miss Frazier,</p> <p>25 to take the words "for DV A/R" out of this work 11:16:59</p>
<p style="text-align: right;">Page 631</p> <p>1 this is a C&amp;L fiscal year '97 work paper?</p> <p>2 A. Yes</p> <p>3 Q. For the City Avenue Hospital</p> <p>4 opening balance sheet?</p> <p>5 A. Okay 11:14:57</p> <p>6 Q. Is that yes?</p> <p>7 A. Yes.</p> <p>8 Q. I would like you to skip to the</p> <p>9 second page again and to the place where the</p> <p>10 box reads, "Purchase price adjustments again " 11:15:07</p> <p>11 Are you there?</p> <p>12 A. Yes</p> <p>13 Q. I'm going to tell you what I think</p> <p>14 to be true, that this is a version of the</p> <p>15 document taken from whatever the final CLASS 11:15:21</p> <p>16 database would have printed for us.</p> <p>17 A. M-hm.</p> <p>18 Q. Do you see there that the language</p> <p>19 is different under the purchase price</p> <p>20 adjustments for the 8 million dollar entry than 11:15:38</p> <p>21 it is in Exhibit 4124?</p> <p>22 A. Yes, the words are different</p> <p>23 Q. On 4124, from the draft version or</p> <p>24 the earlier version of CLASS, the line reads,</p> <p>25 "Additional bad debt reserve for DV A/R, 8 11:15:52</p>	<p style="text-align: right;">Page 633</p> <p>1 paper?</p> <p>2 A. No.</p> <p>3 Q. Do you know if someone else did?</p> <p>4 MR. RYAN: Objection.</p> <p>5 A. There's different -- what, take -- 11:17:12</p> <p>6 MR. RYAN: Are you asking whether</p> <p>7 somebody directed it to happen or that somebody</p> <p>8 removed the words? It's ambiguity, your</p> <p>9 question.</p> <p>10 MR. JONES: I'm sorry, I don't 11:17:22</p> <p>11 think there's any ambiguity because I think</p> <p>12 clearly there's words that have been removed.</p> <p>13 We've established that.</p> <p>14 Q. The words have been removed, am I</p> <p>15 right? 11:17:29</p> <p>16 A. Yes, they are removed.</p> <p>17 Q. My question is, did you ever learn</p> <p>18 from any source that someone on the C&amp;L</p> <p>19 engagement team told somebody else on the C&amp;L</p> <p>20 engagement team to take out those words, "for 11:17:38</p> <p>21 DV A/R" in the final CLASS database?</p> <p>22 A. I don't recall. I just recall the</p> <p>23 general conversation of understanding</p> <p>24 everywhere we had documented what those</p> <p>25 reserves represented. 11:17:57</p>

24 (Pages 630 to 633)

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<p style="text-align: right;">Page 634</p> <p>1 Q. Your testimony is you don't recall 2 ever knowing that someone gave that 3 instruction, is that right? 4 A. That's correct. 5 Q. Do you know who took the words out, 11:18:07 6 as you sit here today? 7 A. No. 8 Q. To your knowledge, did anyone at 9 C&amp;L ever tell anyone on the Board of Trustees 10 of AHERF, the Audit Committee members or 11:18:37 11 anybody else, about the Graduate reserve 12 transfers, as we've discussed them so far this 13 morning, during fiscal year 1997 audit work or 14 at the end of the fiscal year 1997 audit work? 15 MR RYAN: Objection 11:18:57 16 THE WITNESS: I'm sorry, can you 17 repeat or reread? 18 Q. Let me try to get rid of one of the 19 objections, I believe 20 Did you ever learn that anybody at 11:19:23 21 C&amp;L ever told anybody on the AHERF Board of 22 Trustees about the 50 million dollars of 23 reserve transfers we've been discussing this 24 morning from Graduate to the Delaware Valley 25 Obligated Group before the financial statements 11:19:37</p>	<p style="text-align: right;">Page 636</p> <p>1 A. I recall generally the preparation 2 of the required communications letter and 3 whether or not there are any matters for the 4 work that we had done throughout the course of 5 the audit or possible adjustments of whether or 11:21:05 6 not we should include anything in that letter 7 in my discussions with Mr. Buettner. 8 Q. My question is a little more 9 specific. Maybe you've answered it, but I want 10 to make sure because it sounds like you've 11:21:19 11 qualified it a little 12 Do you recall discussing with 13 Mr. Buettner then the 50 million dollar reserve 14 transfers in connection with whether they 15 should be included in the required 11:21:31 16 communications letter to the board? 17 A. I recall it as a broad discussion, 18 which included a number of topics. I don't 19 recall any of the topics individually. 20 Q. You don't recall then discussing 11:21:44 21 the 50 million dollar reserve transfers with 22 Mr. Buettner as a proposed item to be included 23 in the required communication letter? 24 A. I don't recall. 25 Q. Do you recall any discussions with 11:22:08</p>
<p style="text-align: right;">Page 635</p> <p>1 for fiscal year '97 were finalized? 2 A. I don't recall 3 Q. That may have happened, you just 4 don't recall it? 5 A. Yeah, I just don't recall if I had 11:19:48 6 a discussion with anyone to know if it did or 7 didn't. 8 Q. Do you recall any discussions with 9 anyone on the C&amp;L engagement team about whether 10 the fact of those reserve transfers should be 11:19:57 11 disclosed to anyone on the AHERF Board of 12 Trustees? 13 A. I don't recall. 14 Q. Do you recall any discussions with 15 anyone at AHERF about whether the fact of those 11:20:14 16 reserve transfers should be disclosed to anyone 17 on the Board of Trustees? 18 A. I don't recall. 19 Q. Do you recall whether any 20 discussions with anyone about whether the fact 11:20:33 21 of those reserve transfers should be included 22 in the required communications letter for 23 fiscal year 1997? 24 A. Yes 25 Q. What do you recall about that? 11:20:46</p>	<p style="text-align: right;">Page 637</p> <p>1 anyone at AHERF -- I'm sorry, that was too fast 2 and the wrong words. 3 Do you recall any discussions with 4 anyone on the C&amp;L engagement team about 5 including the 50 million dollar reserve 11:22:20 6 transfers on the C&amp;L SUD for fiscal year 1997? 7 A. Yes. 8 Q. With whom did you have those 9 discussions? 10 A. Mr. Buettner, at least I don't 11:22:30 11 know if there were others. 12 Q. We'll come back and talk about that 13 after we change tapes. 14 THE VIDEOGRAPHER: Off the record 15 at 11:23. 11:22:40 16 (Recess had.) 17 - - - - - 18 (Thereupon, Deposition Exhibit 4438 19 was marked for purposes of 20 identification.) 21 - - - - - 22 THE VIDEOGRAPHER: Back on the 23 record, 11:40 24 Q. Miss Frazier, I'm handing you what 25 we've marked as Exhibit 4438, a document we 11:39:39</p>

25 (Pages 634 to 637)

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<p style="text-align: right;">Page 638</p> <p>1 referred to shortly before we broke and a 2 document about which I will have a few 3 questions for you now. 4 Do you recognize this as the 5 September 22nd, 1997 required communications 11:39:52 6 letter from Coopers &amp; Lybrand to the board of 7 trustees of AHERF? 8 A. I don't dispute the date. I recall 9 it as the required communications letter, yes, 10 for the 1997 audit 11:40:13 11 Q. The date is on the upper right-hand 12 corner of the first page, is that right? 13 A. Correct. 14 Q. I read the date right? 15 A. Correct. 11:40:20 16 Q. Did you draft this letter? 17 A. I don't recall 18 Q. If I told you that we have been 19 produced -- or that a draft of this letter has 20 been produced to us with a designation from 11:40:40 21 counsel that it came from your computer files, 22 would that refresh your recollection that you 23 drafted this letter? 24 A. No 25 Q. Do you recall drafting required 11:40:53</p>	<p style="text-align: right;">Page 640</p> <p>1 represent weaknesses in AHERF's" -- "AHERF's 2 financial reporting process which could 3 materially misstate future financial 4 statements." 5 Did I read that accurately? 11:42:04 6 A. Yes. 7 Q. Having had a chance to look at that 8 with me, does that refresh your recollection 9 about whether you and Mr. Buettner, or anyone 10 else on the C&amp;L engagement team, talked about 11:42:14 11 whether or not to include the Graduate reserve 12 transfer entries we've been discussing this 13 morning in this letter? 14 A. No. 15 Q. Do you see the next portion of the 11:42:26 16 document, it's headed Disagreements With 17 Management? Do you see that? 18 A. Yes. 19 Q. It says, beneath it -- it says 20 beneath it, "No disagreements with management 11:42:37 21 arose during the audit with respect to: One, 22 the application of accounting principles to 23 specific transactions; two, judgments related 24 to accounting estimates; three, scope of the 25 audit; four, disclosures to be included in the 11:42:58</p>
<p style="text-align: right;">Page 639</p> <p>1 communications letters from Coopers &amp; Lybrand 2 to the AHERF Board of Trustees in any fiscal 3 year or for any fiscal year? 4 A. Yes. 5 Q. Was that your routine when you 11:41:06 6 became a manager, to draft the required 7 communications letters? 8 A. Not necessarily since there were 9 two managers on the account. 10 Q. Do you recall any fiscal year for 11:41:16 11 which you did not draft the required 12 communications letter -- 13 MR. RYAN: Objection. 14 Q. -- once you had become a manager? 15 A. No, I don't recall one way or 11:41:28 16 another. 17 Q. I'm going to ask you to turn to the 18 second page of the document. Do you see the 19 heading Significant Audit Adjustments? 20 A. Yes. 11:41:40 21 Q. The phrasing beneath that which 22 reads, "We did not discover adjustments during 23 the course of our audit which individually or 24 in the aggregate would have a significant 25 affect on AHERF's financial statements nor 11:41:52</p>	<p style="text-align: right;">Page 641</p> <p>1 financial statements or; five, the wording of 2 our report." 3 Do you see that? 4 A. Yes. 5 Q. Reading that now, does that refresh 11:43:07 6 your recollection about whether you and 7 Mr. Buettner or anybody else on the engagement 8 team, talked about whether or not to disclose 9 the Graduate reserve transfers in the amount of 10 50 million dollars in this letter? 11:43:19 11 A. No. 12 Q. Did you indeed have a disagreement 13 with Mr. Cancelmi about whether the entries 14 should be reversed? 15 MR. RYAN: Objection to form. 11:43:40 16 A. I'm sorry, can you repeat that? 17 Q. We can have that one read back. 18 It's not very long. 19 (Record read ) 20 A. I don't know that, if it was a 11:43:54 21 disagreement. Obviously they didn't reverse 22 the entries, and we felt that there was better 23 bookkeeping that could have been done. 24 Q. Not only did they not reverse them, 25 but let's try this in order. 11:44:06</p>

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<p style="text-align: right;">Page 639</p> <p>1 communications letters from Coopers &amp; Lybrand 2 to the AHERF Board of Trustees in any fiscal 3 year or for any fiscal year? 4 A. Yes. 5 Q. Was that your routine when you 11:41:06 6 became a manager, to draft the required 7 communications letters? 8 A. Not necessarily since there were 9 two managers on the account. 10 Q. Do you recall any fiscal year for 11:41:16 11 which you did not draft the required 12 communications letter -- 13 MR. RYAN: Objection. 14 Q. -- once you had become a manager? 15 A. No, I don't recall one way or 11:41:28 16 another. 17 Q. I'm going to ask you to turn to the 18 second page of the document. Do you see the 19 heading Significant Audit Adjustments? 20 A. Yes. 11:41:40 21 Q. The phrasing beneath that which 22 reads, "We did not discover adjustments during 23 the course of our audit which individually or 24 in the aggregate would have a significant 25 affect on AHERF's financial statements nor 11:41:52</p>	<p style="text-align: right;">Page 641</p> <p>1 financial statements or; five, the wording of 2 our report." 3 Do you see that? 4 A. Yes. 5 Q. Reading that now, does that refresh 11:43:07 6 your recollection about whether you and 7 Mr. Buettner or anybody else on the engagement 8 team, talked about whether or not to disclose 9 the Graduate reserve transfers in the amount of 10 50 million dollars in this letter? 11:43:19 11 A. No. 12 Q. Did you indeed have a disagreement 13 with Mr. Cancelmi about whether the entries 14 should be reversed? 15 MR. RYAN: Objection to form. 11:43:40 16 A. I'm sorry, can you repeat that? 17 Q. We can have that one read back. 18 It's not very long. 19 (Record read.) 20 A. I don't know that, if it was a 11:43:54 21 disagreement. Obviously they didn't reverse 22 the entries, and we felt that there was better 23 bookkeeping that could have been done. 24 Q. Not only did they not reverse them, 25 but let's try this in order. 11:44:06</p>

26 (Pages 638 to 641)



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<p>Page 642</p> <p>1 You told them to reverse it. You</p> <p>2 told them they were stupid and they didn't</p> <p>3 reverse them. Do you believe that that</p> <p>4 constitutes a disagreement?</p> <p>5 MR. RYAN: Objection 11:44:18</p> <p>6 A. It constitutes that we have a</p> <p>7 difference of opinion, it's bad bookkeeping,</p> <p>8 bookkeeping entries.</p> <p>9 Q. Do you recall any discussions with</p> <p>10 Mr. Buettner, or anyone else on the engagement 11:44:36</p> <p>11 team, for fiscal year 1997 about whether or not</p> <p>12 the Graduate reserve transfers in the 50</p> <p>13 million dollar amount, that you tell us you</p> <p>14 were knowledgeable of, should be disclosed to</p> <p>15 the Audit Committee or the AHERF Board of 11:44:55</p> <p>16 Trustees in some way other than through the</p> <p>17 required communications letter?</p> <p>18 A. I don't recall.</p> <p>19 Q. Did you ever become concerned</p> <p>20 yourself personally that such a disclosure 11:45:15</p> <p>21 should have been made either in the required</p> <p>22 communications letter, orally, or in some other</p> <p>23 fashion?</p> <p>24 A. I'm not sure, again, to your</p> <p>25 reference to concerned. 11:45:19</p>	<p>Page 644</p> <p>1 Q. Do you recall anything more about</p> <p>2 the communication between you and Mr. Buettner</p> <p>3 on this topic?</p> <p>4 A. Not really. I mean, obviously it's</p> <p>5 been a while. 11:46:59</p> <p>6 Q. Did you agree -- did the two of you</p> <p>7 agree with that conclusion?</p> <p>8 A. Yes.</p> <p>9 Q. So you and Mr. Buettner agreed that</p> <p>10 we would not -- or that C&amp;L would not put on 11:47:12</p> <p>11 the SUD the 50 million dollar reserve</p> <p>12 transfers, is that right?</p> <p>13 A. We discussed that it was not</p> <p>14 necessary to include it.</p> <p>15 Q. I know that. I know you've said 11:47:23</p> <p>16 that. My question is, did you have any</p> <p>17 difference of opinion with Mr. Buettner on the</p> <p>18 topic?</p> <p>19 A. No. It was kind of a collaborative</p> <p>20 discussion to understand what the impact was to 11:47:36</p> <p>21 the financial statements and whether or not it</p> <p>22 needed to be included.</p> <p>23 Q. Did you ever talk with anybody</p> <p>24 besides Mr. Buettner about whether that was the</p> <p>25 right judgment, to exclude the transfers from 11:47:47</p>
<p>Page 643</p> <p>1 I'm not aware of anything that at</p> <p>2 the end of the day that I thought wasn't</p> <p>3 disclosed that should have been.</p> <p>4 Q. Did you ever -- do you have reason</p> <p>5 to believe that the board ever learned about 11:45:31</p> <p>6 the Graduate reserve transfers in the amount of</p> <p>7 50 million dollars in connection with your '97</p> <p>8 audit work?</p> <p>9 A. I don't know if they were or not</p> <p>10 Q. What discussions do you recall 11:45:54</p> <p>11 occurring and with whom did you have them about</p> <p>12 whether to include the reserve transfers in the</p> <p>13 amount of 50 million dollars in the -- on the</p> <p>14 SUD for '97?</p> <p>15 A. At least Mr. Buettner. I don't 11:46:05</p> <p>16 recall if there were others.</p> <p>17 Q. What do you recall about those</p> <p>18 conversations?</p> <p>19 A. We had a discussion generally that</p> <p>20 such amount would not need to be included on 11:46:20</p> <p>21 the SUD since it was a balance sheet</p> <p>22 transaction and that, at the end of the day,</p> <p>23 Graduate had on its books an amount that it</p> <p>24 needed and we were reporting on the</p> <p>25 consolidated financial statements. 11:46:41</p>	<p>Page 645</p> <p>1 the SUD or to exclude the mention of the</p> <p>2 transfers from the SUD?</p> <p>3 MR. RYAN: Objection.</p> <p>4 A. I don't recall in the context of</p> <p>5 the SUD those discussions. 11:48:02</p> <p>6 Q. Do you recall some other context in</p> <p>7 which excluding mention of the transfers was</p> <p>8 part of a communication between you and anyone?</p> <p>9 MR. RYAN: Objection.</p> <p>10 A. I said in the context of the SUD. 11:48:13</p> <p>11 I mean, I certainly had discussions with people</p> <p>12 about the -- others on the C&amp;L team about the</p> <p>13 50 million dollars. I just don't remember in</p> <p>14 the context on the SUD.</p> <p>15 Q. We misunderstood each other. 11:48:22</p> <p>16 My question is, do you recall</p> <p>17 discussing with anyone the general topic of</p> <p>18 failure to disclose the reserve transfers</p> <p>19 either on the SUD or to the board, anyone in</p> <p>20 life, not just members of the engagement team, 11:48:39</p> <p>21 at any time?</p> <p>22 MR. RYAN: Objection</p> <p>23 A. I'm sorry, can you repeat that?</p> <p>24 Q. I can.</p> <p>25 A. It changed. 11:48:48</p>

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<p style="text-align: right;">Page 642</p> <p>1 You told them to reverse it. You</p> <p>2 told them they were stupid and they didn't</p> <p>3 reverse them. Do you believe that that</p> <p>4 constitutes a disagreement?</p> <p>5 MR. RYAN: Objection 11:44:18</p> <p>6 A. It constitutes that we have a</p> <p>7 difference of opinion, it's bad bookkeeping,</p> <p>8 bookkeeping entries.</p> <p>9 Q. Do you recall any discussions with</p> <p>10 Mr. Buettner, or anyone else on the engagement 11:44:36</p> <p>11 team, for fiscal year 1997 about whether or not</p> <p>12 the Graduate reserve transfers in the 50</p> <p>13 million dollar amount, that you tell us you</p> <p>14 were knowledgeable of, should be disclosed to</p> <p>15 the Audit Committee or the AHERF Board of 11:44:55</p> <p>16 Trustees in some way other than through the</p> <p>17 required communications letter?</p> <p>18 A. I don't recall.</p> <p>19 Q. Did you ever become concerned</p> <p>20 yourself personally that such a disclosure 11:45:15</p> <p>21 should have been made either in the required</p> <p>22 communications letter, orally, or in some other</p> <p>23 fashion?</p> <p>24 A. I'm not sure, again, to your</p> <p>25 reference to concerned 11:45:19</p>	<p style="text-align: right;">Page 644</p> <p>1 Q. Do you recall anything more about</p> <p>2 the communication between you and Mr. Buettner</p> <p>3 on this topic?</p> <p>4 A. Not really. I mean, obviously it's</p> <p>5 been a while. 11:46:59</p> <p>6 Q. Did you agree -- did the two of you</p> <p>7 agree with that conclusion?</p> <p>8 A. Yes.</p> <p>9 Q. So you and Mr. Buettner agreed that</p> <p>10 we would not -- or that C&amp;L would not put on 11:47:12</p> <p>11 the SUD the 50 million dollar reserve</p> <p>12 transfers, is that right?</p> <p>13 A. We discussed that it was not</p> <p>14 necessary to include it.</p> <p>15 Q. I know that. I know you've said 11:47:23</p> <p>16 that. My question is, did you have any</p> <p>17 difference of opinion with Mr. Buettner on the</p> <p>18 topic?</p> <p>19 A. No. It was kind of a collaborative</p> <p>20 discussion to understand what the impact was to 11:47:36</p> <p>21 the financial statements and whether or not it</p> <p>22 needed to be included</p> <p>23 Q. Did you ever talk with anybody</p> <p>24 besides Mr. Buettner about whether that was the</p> <p>25 right judgment, to exclude the transfers from 11:47:47</p>
<p style="text-align: right;">Page 643</p> <p>1 I'm not aware of anything that at</p> <p>2 the end of the day that I thought wasn't</p> <p>3 disclosed that should have been.</p> <p>4 Q. Did you ever -- do you have reason</p> <p>5 to believe that the board ever learned about 11:45:31</p> <p>6 the Graduate reserve transfers in the amount of</p> <p>7 50 million dollars in connection with your '97</p> <p>8 audit work?</p> <p>9 A. I don't know if they were or not.</p> <p>10 Q. What discussions do you recall 11:45:54</p> <p>11 occurring and with whom did you have them about</p> <p>12 whether to include the reserve transfers in the</p> <p>13 amount of 50 million dollars in the -- on the</p> <p>14 SUD for '97?</p> <p>15 A. At least Mr. Buettner. I don't 11:46:05</p> <p>16 recall if there were others.</p> <p>17 Q. What do you recall about those</p> <p>18 conversations?</p> <p>19 A. We had a discussion generally that</p> <p>20 such amount would not need to be included on 11:46:20</p> <p>21 the SUD since it was a balance sheet</p> <p>22 transaction and that, at the end of the day,</p> <p>23 Graduate had on its books an amount that it</p> <p>24 needed and we were reporting on the</p> <p>25 consolidated financial statements. 11:46:41</p>	<p style="text-align: right;">Page 645</p> <p>1 the SUD or to exclude the mention of the</p> <p>2 transfers from the SUD?</p> <p>3 MR. RYAN: Objection.</p> <p>4 A. I don't recall in the context of</p> <p>5 the SUD those discussions 11:48:02</p> <p>6 Q. Do you recall some other context in</p> <p>7 which excluding mention of the transfers was</p> <p>8 part of a communication between you and anyone?</p> <p>9 MR. RYAN: Objection.</p> <p>10 A. I said in the context of the SUD. 11:48:13</p> <p>11 I mean, I certainly had discussions with people</p> <p>12 about the -- others on the C&amp;L team about the</p> <p>13 50 million dollars. I just don't remember in</p> <p>14 the context on the SUD.</p> <p>15 Q. We misunderstood each other. 11:48:22</p> <p>16 My question is, do you recall</p> <p>17 discussing with anyone the general topic of</p> <p>18 failure to disclose the reserve transfers</p> <p>19 either on the SUD or to the board, anyone in</p> <p>20 life, not just members of the engagement team, 11:48:39</p> <p>21 at any time?</p> <p>22 MR. RYAN: Objection.</p> <p>23 A. I'm sorry, can you repeat that?</p> <p>24 Q. I can.</p> <p>25 A. It changed. 11:48:48</p>

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<p style="text-align: right;">Page 646</p> <p>1 Q. I can.</p> <p>2 I want to know if you recall</p> <p>3 discussing Coopers &amp; Lybrand's failure to</p> <p>4 disclose to the AHERF board the 50 million</p> <p>5 dollar reserve transfers at any time? 11:49:00</p> <p>6 MR. RYAN: Objection.</p> <p>7 A. You're assuming there's a failure</p> <p>8 in needing to disclose them.</p> <p>9 Q. What I'm assuming isn't relevant to</p> <p>10 my question. 11:49:12</p> <p>11 What I want to know is, did you</p> <p>12 ever discuss that with anyone?</p> <p>13 A. I guess I'm struggling with your</p> <p>14 question because you're assuming that there's a</p> <p>15 failure. I'm saying I don't recall whether or 11:49:22</p> <p>16 not I discussed it with, who I discussed or if</p> <p>17 we discussed it, but I'm not agreeing that it's</p> <p>18 a failure.</p> <p>19 Q. Do you recall discussing with</p> <p>20 anyone, whether a personal friend, a spouse, or 11:49:36</p> <p>21 anyone, your discomfort or any discomfort you</p> <p>22 had about not disclosing the Graduate reserve</p> <p>23 transfers to the AHERF board?</p> <p>24 MR. RYAN: Objection.</p> <p>25 A. First of all, I don't know if they 11:49:52</p>	<p style="text-align: right;">Page 648</p> <p>1 A. I never had a conversation with</p> <p>2 friends or spouse or other family members.</p> <p>3 Q. That's fine.</p> <p>4 Do you recall discussing with</p> <p>5 anyone discomfort over the fact that the 11:50:49</p> <p>6 Graduate reserve transfers were not placed on</p> <p>7 C&amp;L's SUD for fiscal year '97?</p> <p>8 A. I'm not sure I know what you mean</p> <p>9 by discomfort. I never had discomfort because</p> <p>10 I think I've testified that Mr. Buettner and I 11:51:02</p> <p>11 talked about whether or not it was necessary to</p> <p>12 include them.</p> <p>13 Q. I mean other than Mr. Buettner.</p> <p>14 MR. RYAN: Objection.</p> <p>15 A. I also said I don't recall if I had 11:51:22</p> <p>16 other discussions regarding the SUD on that</p> <p>17 particular item.</p> <p>18 Q. Do you recall ever seeing a draft</p> <p>19 version of the SUD in which the 50 million</p> <p>20 dollar reserve transfers were mentioned -- on 11:52:00</p> <p>21 which the 50 million dollar reserve transfers</p> <p>22 were mentioned?</p> <p>23 A. I don't recall there being one.</p> <p>24 - - - - -</p> <p>25 (Thereupon, Deposition Exhibit 4439</p>
<p style="text-align: right;">Page 647</p> <p>1 weren't disclosed.</p> <p>2 Q. I want you to assume they were not</p> <p>3 until at least 1998.</p> <p>4 MR. RYAN: You're asking her to</p> <p>5 testify as to what she remembers actually 11:50:03</p> <p>6 feeling something about a fact you're asking</p> <p>7 her to assume?</p> <p>8 MR. JONES: No, that's not what I'm</p> <p>9 asking her at all.</p> <p>10 MR. RYAN: I'm confused. 11:50:09</p> <p>11 MR. JONES: I'm sorry you're</p> <p>12 confused. My question was, does she recall</p> <p>13 having a conversation with anyone, a personal</p> <p>14 friend, anyone, about discomfort over, personal</p> <p>15 discomfort over not disclosing the Graduate 11:50:19</p> <p>16 reserve transfers to the AHERF board.</p> <p>17 MR. RYAN: Objection</p> <p>18 A. I guess two points. I don't know</p> <p>19 that they weren't disclosed.</p> <p>20 Q. I've asked you to assume that they 11:50:30</p> <p>21 were not.</p> <p>22 A. And, secondly, I don't talk about</p> <p>23 client matters to friends.</p> <p>24 Q. So you don't recall such a</p> <p>25 conversation? 11:50:41</p>	<p style="text-align: right;">Page 649</p> <p>1 was marked for purposes of</p> <p>2 identification )</p> <p>3 - - - - -</p> <p>4 Q. We've just marked, Miss Frazier,</p> <p>5 Exhibit 4439. I'm going to ask you to take a 11:52:42</p> <p>6 few moments to take a look at the exhibit and</p> <p>7 ask -- then I'll ask you if you've ever seen it</p> <p>8 before.</p> <p>9 A. I don't recall in this sequential</p> <p>10 order. I recall some of them in a subsequent 11:53:23</p> <p>11 event binder.</p> <p>12 Q. Which pages do you recall appearing</p> <p>13 in a subsequent event binder?</p> <p>14 A. Just generally the format and</p> <p>15 putting the subsequent event binder together 11:53:31</p> <p>16 and that there was an index in the front of the</p> <p>17 sections.</p> <p>18 Q. So some of these documents may have</p> <p>19 appeared there, it is your view?</p> <p>20 A. Yes. 11:53:45</p> <p>21 Q. I'm going to ask you to look now at</p> <p>22 the -- the subsequent events binder to which</p> <p>23 you refer was for the '97 audit?</p> <p>24 A. Yes.</p> <p>25 Q. I'm going to ask you to look now at 11:53:57</p>

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<p style="text-align: right;">Page 674</p> <p>1 on page 87?</p> <p>2 A. Sometime during year-end field work</p> <p>3 for 1997.</p> <p>4 Q. Do you know with any more precision</p> <p>5 than that? 13:15:47</p> <p>6 A. No.</p> <p>7 Q. Do you know when you wrote the</p> <p>8 handwritten notes in the -- during -- that</p> <p>9 appear through the balance of the document?</p> <p>10 A. I would say sometime during 13:16:05</p> <p>11 year-end field work of 1997.</p> <p>12 Q. Did you create those notes close in</p> <p>13 time with the schedule and the handwritten</p> <p>14 notes on 25987?</p> <p>15 A. I recall the majority of them being 13:16:19</p> <p>16 before, but close in time</p> <p>17 Q. The majority of the notes that</p> <p>18 appear at pages 25989, 25989 through 92 were</p> <p>19 prepared shortly before this schedule on 25986</p> <p>20 and 87, is that right? 13:16:41</p> <p>21 A. Correct.</p> <p>22 Q. Does this spreadsheet and its tick</p> <p>23 mark notes, that is the 25986 and 25987 pages</p> <p>24 of Exhibit 4444, reflect an attempt on your</p> <p>25 part to determine whether the 50 million dollar 13:17:10</p>	<p style="text-align: right;">Page 676</p> <p>1 the '97 field work?</p> <p>2 A. I don't know if he reviewed the</p> <p>3 pages, but we talked about the content during</p> <p>4 the 1997 field work.</p> <p>5 Q. Did you give him the pages so that 13:18:22</p> <p>6 he could read them if he chose to?</p> <p>7 A. I don't recall.</p> <p>8 Q. So you don't know whether he laid</p> <p>9 eyes on these pages or not, is that fair to</p> <p>10 say? 13:18:31</p> <p>11 A. I just don't recall.</p> <p>12 Q. Did you use Mr. Cancelmi's memo to</p> <p>13 help prepare the analysis?</p> <p>14 A. I just want to back up. As I was</p> <p>15 looking, when you were referencing before as 13:18:51</p> <p>16 far as your question with Mr. Buettner, were</p> <p>17 you referring to just -- can we clarify if it</p> <p>18 was just these two pages?</p> <p>19 Q. I meant just those two pages.</p> <p>20 A. Okay. 13:19:00</p> <p>21 MR. RYAN: 86 and 87?</p> <p>22 MR. JONES: Yes.</p> <p>23 A. Okay.</p> <p>24 Q. Did you share some other portion of</p> <p>25 the document with him, though? 13:19:07</p>
<p style="text-align: right;">Page 675</p> <p>1 reserve entries that we've been discussing</p> <p>2 today resulted in a material misstatement of</p> <p>3 the AHERF consolidated financial statements?</p> <p>4 MR. RYAN: Objection</p> <p>5 A. Not just that. I mean, there was a 13:17:29</p> <p>6 lot of effort and a lot of reasons for</p> <p>7 preparing this.</p> <p>8 Q. Does it serve that purpose, though,</p> <p>9 among others?</p> <p>10 MR. RYAN: Objection. 13:17:39</p> <p>11 A. Does this analysis -- it serves</p> <p>12 part of that purpose in providing some</p> <p>13 information in making that assessment.</p> <p>14 Q. Did you share this analysis with</p> <p>15 anyone? 13:17:53</p> <p>16 MR. RYAN: The actual document or</p> <p>17 the content of the analysis?</p> <p>18 MR. JONES: The document.</p> <p>19 A. I don't recall. It was available</p> <p>20 in the work papers. 13:18:06</p> <p>21 Q. Do you recall presenting this</p> <p>22 analysis to Mr. Buettner and discussing it with</p> <p>23 him?</p> <p>24 A. Yes</p> <p>25 Q. So he reviewed it at some time in 13:18:14</p>	<p style="text-align: right;">Page 677</p> <p>1 A. I recall providing him 88, the</p> <p>2 information, the schedule in the meeting.</p> <p>3 Q. When did you provide him page</p> <p>4 25988?</p> <p>5 A. Sometime during the year-end field 13:19:18</p> <p>6 work, shortly after I received it. I just</p> <p>7 don't know when exactly.</p> <p>8 Q. Do you know when you received it?</p> <p>9 A. Sometime during August of '97.</p> <p>10 Q. My question then -- thank you. 13:19:30</p> <p>11 A. I'm sorry.</p> <p>12 Q. That's fine.</p> <p>13 My question was, did you refer to</p> <p>14 or use Mr. Cancelmi's June 20, 1997 memo, which</p> <p>15 is the first two pages of our exhibit, in 13:19:41</p> <p>16 preparing your affiliation analysis, which are</p> <p>17 the following two pages of the exhibit?</p> <p>18 A. That was one source of information</p> <p>19 that was used, yes</p> <p>20 Q. Do you recall the other -- any 13:19:52</p> <p>21 other sources?</p> <p>22 A. The following work paper Bates</p> <p>23 numbered 25988 was also a source, as well as</p> <p>24 really through the end of the document. And</p> <p>25 then I know there were other sources that I 13:20:17</p>

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<p style="text-align: right;">Page 678</p> <p>1 looked to for Forbes and AVH related to their 2 acquisition work papers, which are not related 3 to that first two pages or the latter part of 4 this document. 5 I referred to the trial balance for 13:20:35 6 good will, something, AHERF financial something 7 to get that number. 8 Q I notice that Mr. Cancelmi has the 9 line item in his memo of June 20 that caused 10 you to question him about, in your field work. 13:20:52 11 The line reads, "Bad debt reserves for DV A/R" 12 and the total of 50 million. We saw that a few 13 moments ago. 14 A. Yes 15 Q. And then on your -- then on your 13:21:05 16 schedule, you have written the word "general 17 reserves" with some of the same dollar entries, 18 at least the same constituent dollar entries. 19 Is that fair? 20 MR. RYAN: Objection. 13:21:24 21 A. There are dollar amounts that agree 22 at least for those entities that correspond 23 with that on his memo, but there are obviously 24 others on that line item as well 25 Q. Right, there is the Forbes and AVH 13:21:38</p>	<p style="text-align: right;">Page 680</p> <p>1 might be for. 2 Q Might be used for? 3 A. Or needed for. 4 Q Which part of this analysis served 5 the purpose of providing you, or any member of 13:22:57 6 the engagement team, comfort about whether or 7 not the Graduate reserve transfers resulted in 8 a material misstatement of the balance sheet at 9 AHERF for fiscal year '97? 10 A. I'm sorry, can that be read back? 13:23:12 11 Q. Sure. 12 (Record read.) 13 A. I don't know that it's referring to 14 the actual transfer, but it's evaluating 15 whether or not the purpose of the 50 million 13:23:39 16 being established at Graduate was needed, and 17 that was being done through the analysis on 18 25987. 19 Q. That's the handwritten analysis at 20 the base of the page? 13:23:55 21 A. That's part of it, yes. 22 Q. That handwritten analysis relates 23 to the line that we were just discussing on 24 25986 headed with the words Graduate -- general 25 reserves. Is that right? 13:24:08</p>
<p style="text-align: right;">Page 679</p> <p>1 entries, right? 2 A. Correct 3 Q. But the Graduate entries are the 4 same, are they not? 5 A. Assuming that that was a five on 13:21:50 6 the first page of his memo. I just can't tell 7 on this copy, but yes 8 Q. Why did you retitle the row? 9 A. Because we did not agree that the 10 reserve was for DV A/R and that an assessment 13:22:05 11 of whether or not those reserves were needed at 12 Graduate was, in part, the purpose of this work 13 paper. So they really were, at least 14 initially, general reserves that needed to be 15 evaluated. 13:22:28 16 Q. Didn't Mr. Cancelmi tell you in his 17 memo what the reserves were for? 18 MR. RYAN: Objection. 19 Q. He says, "Bad debt reserves for DV 20 A/R." 13:22:30 21 MR. RYAN: Objection. 22 A. There's a purpose that appears to 23 be identified on that memo, but obviously is 24 not in our work performing an independent 25 assessment of what we believe those reserves 13:22:42</p>	<p style="text-align: right;">Page 681</p> <p>1 A. It relates to the total on that 2 line, yes. 3 Q. The total on that line is 4 \$61,311,000, is that right? 5 A. That's correct. 13:24:19 6 Q. Which is the 50 million 7 attributable to the Graduate hospitals plus the 8 balance you've got there attributable to the 9 Forbes and the AVH hospitals, is that right? 10 A. Correct. 13:24:31 11 Q. And that 61 million, therefore, has 12 a tick mark -- 61 plus million has a tick mark 13 B, which on page 25987 is described with these 14 words, "See cushion analysis below." Is that 15 right? 13:24:46 16 A. Yes. 17 Q. And the "below" is written in your 18 handwriting? 19 A. Yes. 20 Q. "See cushion analysis" is typed. 13:24:53 21 A. Yes. 22 Q. And then beneath that, can you tell 23 me what your figures and notes are meant to 24 reflect? 25 MR. RYAN: It looks like you might 13:25:06</p>

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<p style="text-align: right;">Page 682</p> <p>1 have a last line of this cut off of this copy.</p> <p>2 MR. JONES: I apologize if I do.</p> <p>3 MR. RYAN: I'm just saying.</p> <p>4 A. There's definitely a piece of this</p> <p>5 that's not clear. 13:25:15</p> <p>6 Q. Can you tell me generally what the</p> <p>7 analysis is meant to reflect?</p> <p>8 A. It was to take the general reserve</p> <p>9 amount established during all of the</p> <p>10 acquisitions and evaluate whether or not there 13:25:26</p> <p>11 were purposes that should be considered as to</p> <p>12 whether or not it was reasonable for AHERF to</p> <p>13 establish that reserve during the acquisitions.</p> <p>14 Q. Did Mr. Cancelmi or anybody at</p> <p>15 AHERF tell you that they had established the 13:25:40</p> <p>16 reserve for any purpose other than transfer to</p> <p>17 the Graduate -- to the Delaware Valley</p> <p>18 Obligated Group hospitals?</p> <p>19 MR. RYAN: Could I have that read</p> <p>20 back, please? 13:25:48</p> <p>21 (Record read.)</p> <p>22 A. Yes</p> <p>23 Q. Who told you that?</p> <p>24 A. Mr. Cancelmi.</p> <p>25 Q. What did he say? 13:26:04</p>	<p style="text-align: right;">Page 684</p> <p>1 A. Yes.</p> <p>2 Q. And what do you mean to refer to</p> <p>3 when you write 25 million dollars in brackets</p> <p>4 and follow it with those words? Or what did</p> <p>5 you mean to refer to, I should say. 13:27:41</p> <p>6 A. Well, the starting point is the 61</p> <p>7 million, which would have been a reserve or a</p> <p>8 credit balance. It was to identify items.</p> <p>9 The reason that there are brackets</p> <p>10 on the 25 million is to work through the 61 13:27:55</p> <p>11 million down to what might be a remaining</p> <p>12 excess number. So the description generally</p> <p>13 relates to corporate compliance issues that</p> <p>14 were existing in healthcare providers</p> <p>15 particularly in the Philadelphia marketplace 13:28:17</p> <p>16 and investigations by the government and that</p> <p>17 an assessment needed to be made as to whether</p> <p>18 or not these acquired hospitals would have such</p> <p>19 compliance matters.</p> <p>20 Q. Where did you get the 25 million 13:28:30</p> <p>21 dollar figure?</p> <p>22 A. It was an estimate that I had</p> <p>23 discussed with Mr. Buettner.</p> <p>24 Q. So he gave it to you?</p> <p>25 MR. RYAN: Objection. 13:28:39</p>
<p style="text-align: right;">Page 683</p> <p>1 A. Back in the planning field work,</p> <p>2 during our preliminary phase, that their intent</p> <p>3 was to establish a reserve for things like</p> <p>4 compliance matters and accounts payable and</p> <p>5 physician contracts, essentially manpower or 13:26:23</p> <p>6 people-related issues during an acquisition</p> <p>7 There were a number of things. I don't recall</p> <p>8 them, as I sit here today, that related to</p> <p>9 that, but that there was, at least for Graduate</p> <p>10 at the time, a need for such reserves. 13:26:41</p> <p>11 Q. He told you that sometime in the</p> <p>12 spring of the year 1997, that they were</p> <p>13 contemplating establishing reserves for those</p> <p>14 purposes at Graduate?</p> <p>15 A. Yes. 13:26:56</p> <p>16 Q. What does the entry immediately</p> <p>17 below the entry 61,311,000 on page 25987 read?</p> <p>18 A. The 25 million in brackets?</p> <p>19 Q. Yes</p> <p>20 Can you read the text next to that 13:27:19</p> <p>21 as well?</p> <p>22 A. "Established for corporate</p> <p>23 compliance reserves at acquired entities "</p> <p>24 Q. Yes.</p> <p>25 Is that what it says? 13:27:29</p>	<p style="text-align: right;">Page 685</p> <p>1 A. He didn't physically give it to me.</p> <p>2 He discussed it and shared it as a possible</p> <p>3 amount to consider in light of other situations</p> <p>4 that had been settling for comparable amounts.</p> <p>5 Q. So who arrived at the figure? Did 13:28:58</p> <p>6 you supply it to him or did he supply it to you</p> <p>7 or was it a collaborative process?</p> <p>8 A. I don't know if -- it was certainly</p> <p>9 collaborative, our discussion. I believe he</p> <p>10 suggested that it could be as much as 25 13:29:22</p> <p>11 million.</p> <p>12 Q. Did you bring documents to him to</p> <p>13 talk about the topic of the amount of this 25</p> <p>14 million dollar sum, or this corporate</p> <p>15 compliance reserve, rather? 13:29:33</p> <p>16 A. Not in that particular discussion.</p> <p>17 Q. Did you look at documents in</p> <p>18 connection with your discussions with him</p> <p>19 regarding how much the corporate clients'</p> <p>20 compliance reserve might or should be? 13:29:45</p> <p>21 A. Yes.</p> <p>22 Q. What documents did you look at?</p> <p>23 A. Just results of due diligence</p> <p>24 procedures and press -- just general knowledge</p> <p>25 in the press about the government 13:30:00</p>

37 (Pages 682 to 685)



<p style="text-align: right;">Page 686</p> <p>1 investigations that were taking place at that 2 time.</p> <p>3 Q. Do you remember any documents in 4 particular on that latter point, government 5 investigations, that you looked at? 13:30:12</p> <p>6 A. Just -- it was more of what had 7 been published, I believe, in newspapers and 8 what we were aware of happening in the 9 marketplace</p> <p>10 Q. It was -- strike that 13:30:21 11 When you wrote the acquired 12 entities, did you mean to include entities 13 other than the Graduate hospitals?</p> <p>14 A. No. Well, no, I don't recall -- I 15 don't recall, I guess, as it related to the 13:30:38 16 western region because the assessment here is 17 being made at the 61 million dollar level, so I 18 just don't recall.</p> <p>19 Q. Do you remember anything more you 20 did to substantiate the need for the 25 million 13:30:53 21 dollar reserve?</p> <p>22 MR. RYAN: Objection</p> <p>23 A. I don't recall anything further 24 than those discussions, recognizing that 25 ongoing assessments would be made in the future 13:31:07</p>	<p style="text-align: right;">Page 688</p> <p>1 in 1997 that the general published reports 2 about corporate compliance would cause a 3 variance in the need for a corporate compliance 4 reserve at these two different sets of 5 hospitals? 13:32:22</p> <p>6 MR. RYAN: Objection. Asked and 7 answered.</p> <p>8 A. I certainly had an understanding 9 that there could be differences between the two 10 organizations knowing that hospitals a part of 13:32:32 11 AHERF were existing within AHERF and they had 12 an internal audit function in place.</p> <p>13 Q. Let me ask you to look at the next 14 line item, the 14.1 million dollars that you 15 have there in brackets for PFMA. Do you see 13:32:49 16 that?</p> <p>17 A. Yes</p> <p>18 Q. You've got a see tick mark M. 19 Could you take me in the analysis 20 where I'm supposed to go with that? Is that up 13:33:00 21 at the top half of the page?</p> <p>22 A. No, I believe that's referring to 23 the handwritten notes on --</p> <p>24 Q. Page 91?</p> <p>25 A. Yes 13:33:15</p>
<p style="text-align: right;">Page 687</p> <p>1 year under purchase accounting</p> <p>2 Q. Did you ever do anything to 3 determine whether or not the Delaware Valley 4 Obligated Group had hospitals -- pardon me</p> <p>5 Did you do anything to determine 13:31:18 6 whether the Delaware Valley Obligated Group 7 hospitals had a reserve for the same kinds of 8 matters in 1997, corporate compliance issues?</p> <p>9 A. As I recall, there were separate 10 procedures that were done in evaluating the 13:31:55 11 control environment and work that internal 12 audit was doing over the compliance area. I 13 don't recall if there were any specific 14 reserves or not identified, but I do remember 15 generally the control process. 13:31:51</p> <p>16 Q. The Delaware Valley Obligated Group 17 hospitals are in greater Philadelphia, and you 18 knew that in 1997, is that right?</p> <p>19 A. Yes.</p> <p>20 Q. The Graduate hospitals were in 13:32:03 21 greater Philadelphia, if you include Rancocas, 22 New Jersey; and you knew that in 1997, is that 23 right?</p> <p>24 A. Yes</p> <p>25 Q. Did you have any reason to believe 13:32:12</p>	<p style="text-align: right;">Page 689</p> <p>1 Q. That reads that -- the 14.1 million 2 dollar PFMA entry in your schedule represents, 3 I'm quoting now, "Represents lost reserves 4 under the police and fire contract to fund 5 losses. 13:33:33</p> <p>6 "AHERF has subsequently concluded 7 that the reserve is not necessary and the 8 Graduate would not be obligated to fund.</p> <p>9 "C&amp;L does not concur with the 10 client's conclusion and believes a potential 13:33:44 11 liability still exists.</p> <p>12 "AHERF has removed the cushion from 13 Graduate and transfers the cushion to other 14 contingent liabilities.</p> <p>15 "C&amp;L will evaluate the 13:33:58 16 appropriateness of the reserve. See reserve 17 analysis."</p> <p>18 Is that right?</p> <p>19 A. That's what it states. But it's 20 also obviously off to the left included in bad 13:34:08 21 debt next to that tick mark.</p> <p>22 Q. I see that.</p> <p>23 Do you know why today that C&amp;L did 24 not concur in the client's determination that 25 the Graduate hospitals as acquired would not be 13:34:21</p>

38 (Pages 686 to 689)





<p style="text-align: right;">Page 742</p> <p>1 added this separate set of handwritten notes on  2 this reserve schedule for settled years, CRA  3 accounts for settled years at AHERF?  4 A. I don't recall.  5 Q. Do you see you did that at least on 14:53:02  6 the first page?  7 A. Yes.  8 Q. You see Mr. Girol has put his  9 initials next to the date 8-21-97. Am I right?  10 A. Yes. 14:53:14  11 Q. Your initials don't appear on the  12 document, do they?  13 A. No.  14 Q. Is there a reason why when you  15 added your information you didn't date it and 14:53:22  16 initial it?  17 A. No. I mean, it was not uncommon.  18 I was just kind of reviewing just by those  19 little squiggly lines, reviewing the  20 information he had and whether -- that was just 14:53:33  21 kind of normal practice for me.  22 MR. RYAN: If we're going to get  23 into any substantive questions about this page,  24 there are much more legible portions, I would  25 like another copy produced. 14:53:52</p>	<p style="text-align: right;">Page 744</p> <p>1 Q. Does it mean that it was for a  2 specific purpose?  3 A. No.  4 Q. Or specific account for a specific  5 year? 14:55:32  6 A. No. I mean, especially with  7 tentative, the word -- to me that was more of a  8 final -- it represented something was --  9 anything with the term settlement was at least  10 an indication of it being a little more final. 14:55:47  11 I don't know what it meant in  12 relation to the word designated. So the fact  13 that those words are altogether I can't just  14 pick on designated.  15 Q. You wrote the words that I just 14:55:58  16 read, though, is that right?  17 A. Well, I --  18 MR. RYAN: To the extent you can  19 read them.  20 A. Yeah, I'm just not sure about that 14:56:04  21 one that has -- or what -- I really can't tell  22 over here  23 Q. I'm sorry, at least once you've  24 written the word designated -- the words  25 designated tentative settlement, am I right? 14:56:26</p>
<p style="text-align: right;">Page 743</p> <p>1 MR. JONES: I'll try not to have my  2 feelings hurt about whether my questions were  3 substantive to this point. We may ask a few  4 more questions. I don't think the reading of  5 the notes is going to be important to them. 14:53:57  6 Q. Do you see a couple different times  7 you've written the words "designated or  8 designated tentative settlement" on the  9 schedule?  10 A. If that's what that says. 14:54:40  11 Q. Let me represent to you that my  12 copy may be a little better, it does read to me  13 "designated tent settlement" like in the  14 right-hand margin under MCPH; do you see that?  15 A. Yes. 14:54:54  16 Q. Do you see it there twice, one time  17 tentative is spelled out, the other time it's  18 just abbreviated tent?  19 A. Yes, but I'm not sure about that  20 one tentative. 14:55:08  21 Q. That's all right. My question is  22 really this. What does the word designated  23 mean to you in connection with CRA's in  24 connection with your AHERF audit work?  25 A. I don't recall. 14:55:26</p>	<p style="text-align: right;">Page 745</p> <p>1 A. It appears.  2 Q. Yes.  3 Does that indicate to you that the  4 amounts in that category would not be cushion  5 or excess? 14:56:30  6 MR. RYAN: Objection.  7 A. I don't recall the papers or what  8 information I knew at the time to even infer  9 what I meant at the time, so I don't even know  10 as I sit here today. 14:56:46  11 Q. You have no recollection of what  12 designated meant and whether or not it would  13 mean to you the opposite of excess?  14 A. Not without having more information  15 and recreating kind of that historical 14:57:02  16 information.  17 Q. You see you've written designated  18 again next to Elkins, M/C '96 designated,  19 \$83,000 perhaps is the figure?  20 MR. RYAN: Where is that? 14:57:16  21 MR. JONES: Middle of the page.  22 MR. RYAN: I don't even see it.  23 A. I mean, I see where there might be  24 another word that says designated. I just, I  25 don't recall 14:57:32</p>

52 (Pages 742 to 745)

<p style="text-align: right;">Page 746</p> <p>1 Q. I will represent to you that that's 2 what it says. 3 Do you recall ever learning or ever 4 being interested in a designated settlement for 5 CRA's at Elkins that did not have the word 14:57:40 6 tentative for Medicare 1996? 7 MR. RYAN: Objection. 8 A. Again, I don't recall -- I need 9 more information. 10 Q. You can put that aside. 14:58:11 11 ----- 12 (Thereupon, Deposition Exhibit 4445 13 was marked for purposes of 14 identification ) 15 ----- 14:58:25 16 Q. I'm handing you Exhibit 4445. Can 17 you identify this document for me? 18 A. I don't recall it, in the context 19 of the 1997 audit. 20 Q. It has been identified to us by 14:58:44 21 your counsel as coming from your computer 22 files. Do you believe that you prepared it? 23 A. I don't recall it, but if it came 24 from my PC, it's possible. 25 Q. You see it's called a reserve 14:58:57</p>	<p style="text-align: right;">Page 748</p> <p>1 I would ask you to look at the 2 second page. It says at the top, "CRA 3 questions," does it not? 4 A. That's what it says. 5 Q. Then it says reserve -- 15:00:57 6 "reservers," and perhaps that's a typo, "per 7 Joe." Do you see that? 8 A. Yes. 9 Q. Do you know who Joe is? 10 MR. RYAN: Objection. 15:01:13 11 A. I don't know. I don't -- 12 Q. Have you ever seen this document 13 before? 14 A. I don't recall seeing it. 15 Q. You can put that one aside. 15:01:50 16 Look back to Exhibit 1070 for a 17 moment for me, which is an exhibit that 18 included Mr. Buettner's two-page schedule that 19 we were discussing a moment ago. 20 A. Yes. 15:02:25 21 Q. Do you see the line item for excess 22 C slash A? Do you have any understanding of 23 what excess C slash A means? 24 MR. RYAN: On 877? 25 MR. JONES: Yes, 877 15:02:43</p>
<p style="text-align: right;">Page 747</p> <p>1 analysis? 2 A. Yes 3 Q. Then it lists at least under one 4 subheading CRA -- CRA's undesignated in various 5 amounts at various hospitals? 14:59:09 6 A. Yes. 7 Q. Do you know when you prepared this? 8 First of all, do you know if you 9 prepared this and then do you know when? 10 A. As I said, I don't recall it and so 14:59:22 11 I don't recall when I prepared it. 12 Q. Do you have any doubt if it came 13 from your computer files that you prepared it? 14 A. If it was saved on my hard drive 15 Obviously someone else can prepare it and I can 14:59:40 16 download it, but I just don't know. I don't 17 recall it. 18 Q. Let me hand you really quickly what 19 we've marked as Exhibit 4122 called CRA Review 20 Comments. It's a work paper apparently 15:00:18 21 prepared at least in connection with the '97 22 audit, although it appears to have come from 23 its labeling at the lower right-hand corner 24 from an early and not, therefore, final version 25 of the CLASS system. 15:00:32</p>	<p style="text-align: right;">Page 749</p> <p>1 A. I obviously didn't write it 2 Q. Do you know what C slash A is short 3 for either in Mr. Buettner's parlance or yours? 4 A. From my perspective, C slash A in 5 the context of a healthcare audit was 15:03:00 6 contractual allowance. 7 Q. Did you ever come to the conclusion 8 in your fiscal year '97 audit work that there 9 were excess contractual allowances in the 10 amount of 9.8 million dollars at AHERF? 15:03:16 11 MR. RYAN: Objection. 12 Q. Or at old AHERF, for that matter? 13 A. I'm sorry, can you repeat that? 14 Q. Yes. 15 Did you ever yourself come to the 15:03:26 16 conclusion that there were 9.8 million dollars 17 of excess contractual allowance reserves at old 18 AHERF as you've defined it this afternoon -- 19 MR. RYAN: Objection. 20 Q. -- for fiscal year '97? 15:03:41 21 A. I recall having knowledge that 22 there were excess contractual allowances. I 23 don't recall the exact amount, but I remember 24 them being in the neighborhood of 10 million 25 dollars. 15:03:54</p>

53 (Pages 746 to 749)

<p style="text-align: right;">Page 750</p> <p>1 Q. Did you come to that conclusion 2 yourself, or was that a conclusion that was 3 shared with you by Mr. Buettner or someone 4 else? 5 A. I recall knowing that myself as 15:04:04 6 part of my review of the receivable work 7 papers. 8 Q. Do you think you shared that number 9 with Mr. Buettner? 10 A. Yes. 15:04:14 11 Q. The round 10 million dollar number? 12 A. Yes, I recall sharing it with him. 13 Q. When you shared it with him, what 14 did you say was the basis for your review? 15 A. I recall advising him that when I 15:04:26 16 was reviewing the detailed work papers, there 17 were differences between what was needed in 18 their calculations versus what was recorded on 19 the actual trial balances and summing them up 20 across the entities. 15:04:40 21 Q. That was work you had performed? 22 A. Yes. 23 Q. Did you give him a piece of paper 24 to reflect that work or did you just share it 25 with him orally? 15:04:49</p>	<p style="text-align: right;">Page 752</p> <p>1 A. I'm not sure if it's lost. It's 2 just I don't recall seeing it or whether or not 3 it's available because it was a part of my 4 notes that I was tracking things on to review 5 throughout the course of the audit. 15:05:56 6 Q. As far as you know, it doesn't 7 exist anymore, am I right? 8 A. Not that I've seen it. 9 Q. I may have a couple notes in there 10 that we shouldn't have. 15:06:08 11 As far as you know, it doesn't 12 exist anymore, am I right? 13 A. I don't know. I have not seen it. 14 Q. Do you have any reason to believe 15 that it exists? 15:06:17 16 A. Not based on the things that I've 17 seen, no. 18 Q. Again, don't be frightened, we're 19 not going to look at many pages of this 20 exhibit. It has, however, been marked as 15:06:42 21 Exhibit 4322. 22 The pages I would like to discuss 23 with you, Miss Frazier, are at 10482 and 24 following. 10482. They start with a face page 25 that indicates to me that this is a set of work 15:07:20</p>
<p style="text-align: right;">Page 751</p> <p>1 A. I remember a piece of paper that I 2 had captured it on. I don't remember if I 3 showed him the paper or that I just told him 4 because I knew it, but -- and I remember him at 5 some point writing it down. 15:05:01 6 Q. Have you seen that piece of paper 7 since your audit work in '97? 8 A. That he wrote it down on? 9 Q. No, that you wrote it down on. 10 A. I don't recall seeing it since 15:05:09 11 then 12 Q. Do you recall making it a part of 13 the work papers for the '97 audit? 14 A. I don't recall if it was in my 15 notes or not. It was kind of an eight and a 15:05:19 16 half by 11 sheet of paper. 17 Q. In all the depositions and sworn 18 testimony you gave to the SEC and in preparing 19 for those and in preparing for today, you 20 haven't seen that document? 15:05:33 21 A. Not that I recall. 22 Q. That, therefore, is another 23 document from the '97 work that you did that is 24 lost as far as you know, is that right? 25 MR. RYAN: Objection 15:05:41</p>	<p style="text-align: right;">Page 753</p> <p>1 papers from the '97 C&amp;L audit files relating to 2 assets, and, in particular, patient accounts 3 receivable. Is that right? 4 A. Yes. 5 Q. They appear to have been completed 15:07:36 6 by Miss Heinlein and last modified by Miss 7 Porter. Is that right? 8 A. Yes. 9 Q. Could you look at the schedules 10 that follow, tell me if these schedules to you 15:07:52 11 appear to relate to Coopers &amp; Lybrand's 12 assessment of contractual allowances at the 13 five DVOG hospitals as of 6-30-97? 14 A. Are you referring to where it 15 starts with 484? 15:08:21 16 Q. Let me make sure. I think it 17 starts with 483 with the face page Bucks 18 contractual allowance. 19 A. Okay. I can't read the headers. 20 These appear to be schedules that are prepared 15:08:36 21 by AHERF for their assessment of contractual 22 allowances that we obtained. 23 Q. Then have been themselves imported 24 through the magic of electronic data to your 25 work papers, is that correct? 15:08:52</p>

54 (Pages 750 to 753)

Amy Frazier

Volume 3

<p style="text-align: right;">Page 754</p> <p>1 A. Correct.</p> <p>2 Q. Do you recall reviewing these</p> <p>3 contractual allowance work papers in connection</p> <p>4 with your work in the '97 or for the '97 audit?</p> <p>5 MR. RYAN: The ones that start at 15:09:05</p> <p>6 483?</p> <p>7 MR. JONES: Yes, or at least the</p> <p>8 schedules that follow there.</p> <p>9 A. I don't recall these schedules</p> <p>10 specifically. I recall at various points 15:09:13</p> <p>11 having printed copies of contractual allowance</p> <p>12 information, but I don't recall these</p> <p>13 specifically.</p> <p>14 Q. You don't recall reviewing them</p> <p>15 on-line either because don't I see your name 15:09:25</p> <p>16 popping up on the reviewed portion of the CLASS</p> <p>17 prints, is that fair to say?</p> <p>18 MR. RYAN: Objection.</p> <p>19 A. I mean, I don't know. Just because</p> <p>20 my name's not in the field doesn't mean I 15:09:43</p> <p>21 couldn't have opened up the file and looked at</p> <p>22 it.</p> <p>23 Q. Do you recall that you looked at</p> <p>24 hard copies as you suggested or electronic</p> <p>25 screens? 15:09:54</p>	<p style="text-align: right;">Page 756</p> <p>1 record, 3:27.</p> <p>2 Q. Miss Frazier, I'm asking you now,</p> <p>3 I've asked you just at the break to get ready</p> <p>4 to talk with us again, at least briefly, about</p> <p>5 Exhibit 4332, and, in particular, the 15:27:45</p> <p>6 contractual allowance schedules, or the reserve</p> <p>7 for contractual allowance schedules which start</p> <p>8 at page 488.</p> <p>9 Are you with me?</p> <p>10 A. Yes 15:28:04</p> <p>11 Q. The schedule there relates to the</p> <p>12 Bucks County Hospital?</p> <p>13 A. That's what it says, yes.</p> <p>14 Q. It is towards the bottom of the</p> <p>15 page we have what is called the reserve for 15:28:11</p> <p>16 allowance balances, inpatient. Is that right?</p> <p>17 A. One side is inpatient; one side is</p> <p>18 outpatient it looks like.</p> <p>19 Q. Let's focus on the inpatient side</p> <p>20 for now. 15:28:24</p> <p>21 A. Okay.</p> <p>22 Q. In connection with your audit work</p> <p>23 in fiscal year 1997, did you have any reason to</p> <p>24 believe that the balances in the column beneath</p> <p>25 the header we just read, the 6-30-97 column, 15:28:36</p>
<p style="text-align: right;">Page 755</p> <p>1 A. I recall both, generally. I mean,</p> <p>2 I had printed copies of things that weren't</p> <p>3 easy to read and looking at things on the</p> <p>4 screen where I needed to</p> <p>5 Q. Were these the kinds of schedules 15:10:05</p> <p>6 that you would have referred to or were these</p> <p>7 these schedules that you referred to in coming</p> <p>8 up with an impression that roughly 10 million</p> <p>9 dollars existed in excess -- as excess</p> <p>10 contractual allowances at AHERF in your 15:10:20</p> <p>11 conversations with Mr. Buettner that led to,</p> <p>12 you believe, or perhaps ended up in his</p> <p>13 two-page schedule as a part of Exhibit 1070?</p> <p>14 MR. RYAN: Objection.</p> <p>15 A. I don't recall what schedules I had 15:10:38</p> <p>16 to derive that number from. I just recall them</p> <p>17 relating to contractual allowances</p> <p>18 MR. JONES: Why don't we break here</p> <p>19 and, if we do a quick one, I think we may</p> <p>20 actually be on schedule 15:10:52</p> <p>21 MR. RYAN: Super.</p> <p>22 THE VIDEOGRAPHER: Off the record,</p> <p>23 3:11.</p> <p>24 (Recess had.)</p> <p>25 THE VIDEOGRAPHER: Back on the 15:27:35</p>	<p style="text-align: right;">Page 757</p> <p>1 were in any way excess?</p> <p>2 A. I don't recall the detail of the</p> <p>3 schedule from 1997</p> <p>4 Q. As you sit here today, you don't</p> <p>5 know whether those balances were excess, is 15:28:55</p> <p>6 that fair to say?</p> <p>7 A. I don't recall without looking at</p> <p>8 more detail.</p> <p>9 Q. What else would you want to look</p> <p>10 at? 15:29:06</p> <p>11 A. I would need to understand what the</p> <p>12 words say because I can't really read them.</p> <p>13 And I'd just have to look through other work</p> <p>14 papers that related to the area.</p> <p>15 Q. Do you know whether any specific 15:29:22</p> <p>16 balance listed there, where there is a balance,</p> <p>17 is excess?</p> <p>18 Do you have any recollection of any</p> <p>19 specific balance that is listed as excess or</p> <p>20 has an excess component to it? 15:29:34</p> <p>21 MR. RYAN: I'll object because the</p> <p>22 witness can't read what the words say, I'm not</p> <p>23 sure she can give you a different answer to</p> <p>24 your question.</p> <p>25 MR. JONES: I don't really want to 15:29:44</p>

55 (Pages 754 to 757)